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ECONOMIC DEVELOPMENT in the NIAGARA REGION

by
Torben Drewes

Niagara Region
Review Commission



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BACKGROUND STUDY

ECONOMIC DEVELOPMENT IN THE NIAGARA REGION

by

Torben Drewes

Assistant Professor of Economics
Trent University
Peterborough, Ontario

October 1988


This background study has been prepared for the Niagara Region Review Commission to assist it in its deliberations. All recommendations, conclusions or comments in this study are strictly those of the author of the study and do not reflect the views of the Commission.

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Niagara Region Review Commission
4572 Queen Street
Niagara Falls, Ontario L2E 2L6
1-800-263-8800
416-354-5601

Harry Kitchen,
Chairman

David Siegel,
Research Director



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EXECUTIVE SUMMARY

The report restricts its attention to formal local economic development policy funded by municipal governments in the Niagara Region. With regard to such policy, the Terms of Reference reduce to essentially two questions: is such policy effective and desirable? and if it should be pursued, which level of government should be responsible?

The report is unable to provide a quantitative assessment of the impact of local economic development policy. However, an analysis of development initiatives would suggest that there is the potential for some effectiveness in enhancing the economic base of the Niagara Region. It should be expected that development policy can only achieve marginal gains. Whether those gains merit the expenditure on development policy in the Region is, again, a quantitative question that cannot be answered within the scope of this report, and has not been answered by previous research in the Region.

The statutory provisions, which allow for both tiers of government in the Region to pursue economic development policy, generally defined, create a potential for unnecessary costs in the combined regional development effort. In fact, municipalities in the Region have evolved an arrangement that both avoids unnecessary duplication of services, and rationally allocates the diverse activities of development policy to the two tiers.

The report recommends no substantial changes to the present structure. If local economic development policy is to be conducted at all in the Niagara Region, it is unlikely that any significant cost savings could be had from any reorganization of the present structure. It is recommended, however, that serious research be conducted which would satisfactorily address the question of quantification of the impact of formal development policy delivered at the municipal level. As well, it is recommended that the economic development initiatives of all municipalities in the Region be considered in an integrated manner. The only vehicle currently available to bring about an integration of these initiatives is the Economic Developers Committee. It is recommended that this Committee be regarded more formally as a decision-making body by the practitioners of development policy, and that ways be found to ensure compliance with its decisions.

RECOMMENDATIONS

IT IS RECOMMENDED THAT a research agenda be established which would eventually form a basis for proper and quantitative evaluation of local economic development policy in the Niagara region.

IT IS RECOMMENDED THAT local economic development policy in the Niagara Region be understood to be a joint undertaking of the upper tier municipality and the lower tier municipalities. The two tiers are not in competition with each other, nor are the lower tier municipalities in competition with one another.

IT IS RECOMMENDED THAT the Economic Development Committee be given more formal structure. It must be seen as of central importance in tying together the various components of local economic development policy in the Niagara Region.

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CHAPTER 1

LOCAL ECONOMIC DEVELOPMENT

1.1 The Meaning of Local Economic Development

In its broadest definition, the term "Local Economic Development" encompasses any activity that seeks to expand, diversify, and strengthen the economic base of a geographically small area. By that definition, the list of agencies involved in development efforts in the Niagara Region is both long and varied. The federal and provincial governments both intervene through labour and educational policies, a myriad of business support and development initiatives, tourist promotion, and so on. Sectoral interests are furthered through formal or informal business associations. Tourism is promoted through the Region Niagara Tourist Council, and local interests advocated by Chambers of Commerce and other community groups. Investments in transportation and other infrastructure may also be viewed as strategy related to development. The terms of reference of this study, however, clearly narrow the focus to a much smaller group of participants: those agencies or individuals mandated by their respective municipalities, local or regional, to involve themselves with matters of economic development within the community. Of course, their activities cannot be treated entirely in isolation from the actions of other agencies. But the principal attention of this study is the analysis of formal economic development policy conducted by municipalities in the Niagara Region.

Even given this focus, economic development remains difficult to define in a precise manner, for it takes vastly different forms even among the municipalities of the Region. In some local municipalities the policy is entirely reactive, with an individual otherwise occupied with planning matters made responsible for provision of information and assistance to unsolicited clients. At the other extreme, development policy is highly proactive, with intensive marketing of the municipality, business seminars, etc. It is best to think of local economic development policy as a set of activities, some or all of which may be undertaken. The specific activities pursued in the municipalities of the Niagara Region will be identified in Chapter 4.

1.2 The Constituency

It has been argued that municipal involvement in economic development should be discouraged.¹ Should local economic development initiatives be successful in attracting new firms, the result may simply be a reshuffling of economic activity between communities with no increase in the total of such activity. Thus, should the Niagara Region win a firm away from Durham Region, winners and losers cancel leaving a net loss to Canadians amounting to the expenditure on development activity within the two Regions (as well as the possibility of a less than optimal location for the firm). In other words, in their attempts at obtaining a larger share of the pie, municipalities may decrease its overall size. This is, in fact, why municipalities in Ontario are so severely limited by the province in the instruments of economic development available to them.

The validity of this argument clearly depends on one's choice of constituency. If we are concerned solely with the welfare of Niagara Region residents, then attracting industry away from other regions must be judged unequivocally to be beneficial (as long as that industry produces more benefits for the Region than costs). This study does, in fact, take as the primary units of concern the citizens of the Niagara Region.

Municipalities in Ontario and in Canada as a whole may be engaging in a mutually harmful game, but it is not rational to suggest to only one participant that it stop. When the action at a hockey game goes into a corner, it is collectively irrational for all spectators to stand up for a better view - no one sees better and everyone is uncomfortable. But when everyone else is standing, the individual is better off joining the crowd.

The issue is still not entirely settled, however, for the Niagara Region itself is subdivided into units that may each be considered independently. If industry is attracted into one local area municipality from another within the Niagara Region, the Region as a whole does not benefit. Indeed, it loses to the extent that resources were expended in bringing about this result. However, the receiving community may benefit (subject to the same caveat that the new business more than pays its way). Is this to be judged as good? Once again, it

¹. See, for example, T. Rosenberg (1983), "States at War," New Republic, Oct.3.

depends on the constituency selected, but now the issue cannot be side-stepped by moving to a lower level of constituency. This study must simultaneously consider the interests of the Region as a whole and those of the local area municipalities. Is the Region to be regarded for the purposes of this study as a single community or a community of communities?

Fortunately, this potentially thorny issue need not be resolved here. The purpose of local economic development, it will be argued, is to increase the well-being of people, not political units. From that perspective, judgments concerning the advisability of pursuing economic development policy at the lower tier level are fairly straightforward. For as will be shown in chapter 2, it is a mistake to regard citizens of the Niagara region as being separated from one another by municipal boundaries. The degree of economic integration is such that the entire region should be treated as a single labour market. Employment creation, for example, in any one lower tier municipality benefits the population of the entire Region. Therefore, it must be judged that a reshuffling of economic activity between lower tier municipalities results in no winners. The amount of employment within the receiving municipality may be increased, but this is in itself not a benefit if the total amount in the region is not increased.

It should be noted that the discussion so far has been in terms of the relocation of industry. Local economic development means more than the competition for business between locations. It also attempts (and in some municipalities this is the principal focus) to cultivate and incubate indigenous economic activity. If this is done successfully, one municipality's gain is not another's loss for there is, in fact, an expansion of the total amount of such activity.

One final definition is required before proceeding. The various policy statements of local development agencies pay too little attention to a precise definition of the intended beneficiaries of their efforts, and the exact nature of the benefits. Too often, the objective appears to be simply an increase in the level of business activity within the community. Success or failure of development initiatives is judged solely by whether or not firms locate or expand in the community, instead of whether the benefits realized from this increased activity exceed the costs incurred in whatever form, be they explicit expenditures on economic development efforts and services, or the implicit costs

of congestion or environmental degradation. Economic development is not a pure blessing. Excessive development can bring with it pressures on education and other public facilities, escalating housing costs, destruction of aesthetically valuable natural land, and rising labour costs for existing business.

The purpose of local economic development activity must be to improve the quality of life of citizens currently residing in the community. Assistance to a firm in the Region will be considered to be beneficial if and only if it generates a net benefit for people, be they local taxpayers, employees of the firm, or the firm's owners.

The question then arises of how one should measure the well-being of citizens of the region. A fully comprehensive measure would consider all determinants of the quality of life. But such a measure would be difficult to define and impractical. This study will use a more narrow definition of economic well-being which might be called total income. Total income of local residents will be considered to be the sum of earned income before local taxes and the monetary value of any excess of municipally-provided services over the taxes paid to the municipality. The concept is straightforward. The material well-being of an individual is determined by that individual's ability to command economic goods and services. This ability is typically measured using the individual's money income. However, some valuable services are essentially bought on the individual's behalf by municipal governments and payment is extracted through taxes. If the municipality is successful in increasing its industrial assessment base, and if this base yields tax revenue in excess of the cost of servicing that base, the municipality may be in a position to provide a greater monetary value of services to the individual resident than his or her municipal taxes. In such a case, the material well-being of the individual is greater than market income would measure.

The concept of total income is too narrow in the sense that it does not consider all effects of economic development which have an impact on the quality of life of local citizens. It does have the virtue of being the closest approximation to well-being that is measurable and therefore useful in assessing economic development.

This is not to suggest that the concept be used in the day-to-day operations of municipalities or of local economic development officers. While more comprehensive

measures of economic well-being should be used in setting policy goals, economic development organizations cannot and should not be expected to conduct a complete comparison of expected benefits and costs before deciding whether to assist a firm with location or expansion in their municipalities. But an evaluation of local economic development policy in the region must begin with as clear a definition of goals as is possible. In this study, the goal of such policy will be considered to be increasing the total incomes of residents.

The traditional objectives of local economic development are included in this goal. Job creation will increase the market income generated in the community through enhanced employment opportunities for some residents and better paying employment for others. Increases in the industrial property tax base have the potential to increase the second component of total income by increasing the value of municipally provided services received by residents without increasing residential property taxes, by reducing the cost to them (through reductions in the residential property tax) of a given amount of services received, or by some combination of both. If successful, development policy will increase the individual's ability to command economic goods and services, either those which the individual chooses to buy, or those which are bought for him/her by the municipality.

1.3 Scope of the Study

This is not the first study of local economic development in the Region. Industrial Promotion in the Niagara Region², Regional Niagara Economic Development Study,³ and Initiatives for Employment Development in Niagara Region and its Municipalities⁴ all contain useful information, perspectives, and recommendations concerning local economic development in the Niagara Region. It would not be productive to simply duplicate the efforts of these consultants. Moreover, this study will adhere to the Terms of Reference (see Appendix I) which dictate that it take a local public finance

². Prepared for the Archer Commission by Smith, Auld, and Associates, September 1976.

³. Woods Gordon, 1980.

⁴. J.A. Young Associates, October 1985.

perspective on the issue of economic development. Therefore, the emphasis will not be on identification of the development needs or prospects of the Niagara Region. That has already been done admirably in the Woods Gordon Report which, although eight years old, continues to provide good advice in these matters. Neither will this study seek to recommend specific strategies for local economic development officers to follow.

Rather, a more general analytical approach will be followed, with particular emphasis on two questions: "Is local economic development policy effective?", and if so, "Who should be responsible for its design and implementation in the Niagara Region?" In response to the perception of issues gained through interviews with participants in the Region, particular attention will be paid to the relationship between the Regional Municipality and the lower tier municipalities in the conduct of such policy.

CHAPTER 2

ECONOMIC DEVELOPMENT IN THE NIAGARA REGION

2.1 Economic Conditions in the Region

It is far beyond the scope of this study to conduct an exhaustive analysis of the Niagara region economy, to examine its structural deficiencies, or to identify potentially productive development initiatives.⁵ Nevertheless, it is useful to provide a brief overview of economic conditions in the region as background. The rather bleak economic climate of the late 1970s and early 1980s culminated in the creation of the Niagara Regional Development Corporation (NRDC) and continues to shape opinion about the need for proactive local development initiatives.

By the usual aggregate indicators, the labour market in the Niagara region has, in recent times, failed to match the performance of the rest of Ontario. Table 2.1 compares annual average unemployment rates for the St. Catharines-Niagara Census Metropolitan Area (CMA) to those of the province.⁶ As shown, the rate in the area has been 38.4% higher, on average, than the provincial rate over the years covered.⁷ Perhaps a more striking comparison is that between the St. Catharines-Niagara CMA and the next largest geographical area for which unemployment rates are reported, Economic Region 54 (defined in the table). Over the years reported, the annual unemployment rate in the St. Catharines-Niagara CMA has exceeded the rate in the larger Economic Region by an average of 14.6%. Given that the Niagara region accounts for a significant proportion of the Economic Region, its unemployment rate must be significantly worse than the rates in the rest of that region. In short, its unemployment rate compares unfavourably even with its close neighbours.

⁵. An exhaustive statistical survey is available in the Economic and Financial Survey, Finance Department, The Regional Municipality of Niagara, 1986.

⁶. The St. Catharines-Niagara CMA (CMA 539) consists of all the lower tier municipalities in the Niagara Region except Grimsby and West Lincoln.

⁷. Over the same period, the regional rate has been 16.3% higher than the national average.

TABLE 2.1

UNEMPLOYMENT RATES
(annual averages)

YEAR	Ontario	Economic Region ^a	St. Catharines/Niagara CMA ^b	
			(%)	(Ont =100) (E.R. = 100)
1975	6.3%	7.7%	8.6%	136.5
1976	6.2	7.0	8.5	137.1
1977	7.0	7.5	9.0	128.6
1978	7.2	8.5	9.7	134.7
1979	6.5	7.7	9.2	141.5
1980	6.8	8.0	9.3	136.8
1981	6.6	8.1	9.6	145.5
1982	9.8	12.9	13.7	139.8
1983	10.4	13.6	15.7	151.0
1984	9.1	10.8	11.1	122.0
1985	8.0	10.0	10.7	133.8
1986	7.0	8.3	9.8	140.0
1987	6.1	7.8	9.3	152.5
Averages	7.5	9.1	10.3	138.4
				114.6

a From 1975 to 1985 Economic Region 54 consisted of the city of Hamilton and the area directly south of Hamilton, including most of the Niagara region. During 1986 and 1987, Economic Region 550 consists of the County of Brant, the Regional Municipalities of Hamilton-Wentworth, Niagara, Haldimand-Norfolk, and the city of Burlington.

b CMA 539 consists of Regional Niagara except Grimsby and West Lincoln

An extensive empirical investigation would be required to determine the causes of high unemployment in the Region. Conventional thinking now recognizes that some unemployment is caused by job turnover (with some time between jobs for the unemployed) rather than a simple lack of jobs. A group of 100 workers will record an average annual unemployment rate of 10% if 10 of them are out of work for the entire year. But they will also record a 10% annual unemployment rate if each one of them suffers a single episode of unemployment during the year lasting 1/10 of a year (or 5.2 weeks). The latter scenario would be symptomatic of an economy with a high degree of seasonal unemployment (such as agriculture or tourism) or with instability and job-worker matching problems. In such a case, the most effective policy prescription may fall in the category of human resources policy, such as job retraining programs or improved job information. The former scenario would be characteristic of an economy with a simple lack of jobs. Here the solution is equally straightforward - create more jobs.

Clearly, the argument for economic development initiatives is stronger under the "lack of jobs" scenario. There is no evidence to suggest that any analysis of the labour market was undertaken prior to the establishment of the NRDC to determine the validity of this view of the unemployment problem. Job creation was presumed to be the solution. While that conclusion may perhaps lack the full justification of careful empirical analysis, there is good reason to expect that it was correct. The magnitude of the differential between the unemployment rate in the Niagara region and the regions used for comparison is simply too large to allow a convincing argument that more jobs would not be of benefit to residents of the region.

The feeling of general economic malaise may have been reinforced by a federal program to alleviate economic disparity between geographical regions. The fact that the Niagara Region was designated as Tier II under the Department of Regional and Industrial Expansion's IRDP program may by itself create a feeling of need for some local action to stimulate employment growth.⁸ The designation of each Census District into one of 4 tiers

⁸. That program has now expired, with last applications received in June, 1988. Indeed, the Department of Regional Industrial Expansion itself is now awaiting only the passing of legislation before it, too, will cease to exist in its present form.

(with Tier IV eligible for maximum assistance and Tier I eligible for none) was based upon an index weighting unemployment, per capita disposable income, and provincial fiscal capacity. While a Tier II designation does not in any way suggest an impoverished local economy, the Niagara region was unique among Golden Horseshoe districts in not being designated Tier I.

Finally, expectations of future economic activity in the region could not have been optimistic at the beginning of the decade. Manufacturing forms a significant part of the Niagara Region's economic base. Conventional wisdom perceived the manufacturing sector to be an increasingly shaky foundation for economic health from which it followed that proactive measures were required to seek replacements.

There are two Holy Grails of local economic development. Job creation is one of them. The other is expansion of the industrial property tax base. It is a widely and firmly held tenet that additions to the industrial assessment of a community result in an increase in property tax revenue greater than the consequent costs of such new development. This is the so-called "tax profits" argument for industrial growth and explains to a large extent the desire of municipalities to pursue development policy. The tax profits proposition may be debatable, especially for local municipalities in a two tier system⁹. Nevertheless, it may have contributed to the perception of need for local economic development policy in the Niagara Region at the beginning of the decade.

2.2 The Impact of Economic Development

If it is argued that economic development is to be encouraged, then an implicit judgement is being made that such development improves the economic well-being of the Niagara Region. To establish this judgement as an empirically established truth would be a large and complex undertaking, for economic growth cannot be deemed unambiguously desirable. Quite aside from the difficult questions concerning the effects of increased activity on the non-market aspects of quality of life (such as increased congestion, pollution, etc.), the impact on total incomes of Niagara residents is not at all straightforward. For example, it is entirely likely that new jobs created in the Niagara region will result

⁹. For reasons to be discussed in Section 2.2.

TABLE 2.3

LABOUR MOBILITY IN THE NIAGARA REGION
 (% of labour force living and working
 in different Niagara municipalities)

	1971	1981
Fort Erie	38%	25%
Grimsby	63%	62%
Lincoln	46%	47%
Niagara Falls	28%	28%
Niagara-on-the-Lake	58%	51%
Pelham	71%	72%
Port Colborne	35%	36%
St. Catharines	24%	24%
Thorold	57%	63%
Wainfleet	67%	74%
Welland	25%	24%
West Lincoln	64%	60%

Source: 1971 & 1981 Census tabulations,
 reported in NRDC Economic Development
 Strategy, NRDC, Dec. 1987

1981. Some care should be exercised in interpretation since not all labour force members are represented (those not reporting both residential and job location are excluded). Nevertheless, the table clearly demonstrates a remarkably strong degree of interrelatedness in the Region. Taken together, the two tables indicate that it is necessary to think of the entire Niagara Region as consisting of a single labour market. In other words, the labour market characteristics such as wage and unemployment levels in any one lower tier municipality are inextricably linked to developments in the labour markets of the other lower tier municipalities.

There are two consequences for the design of local economic development policy in the Niagara Region that follow from this interdependency. First, it does not make sense to pursue such policy in any one lower tier municipality in isolation from others. Since the labour market is a principal focus of development policy, the perspective must be regional if the market itself is regional. Using the concept of total income discussed in the previous chapter, any success in employment creation in a single lower tier municipality will inevitably have positive consequences for the market incomes of residents in other local area municipalities. For example, the 72% of labour market participants resident in Pelham in 1981 who worked outside that municipality clearly are potential beneficiaries of any success in employment creation in the other lower tier municipalities.

The second consequence is that the objectives of development policy should be allowed to differ across the lower tier municipalities so as to encourage the diversity in environments. The commuting patterns in the region indicate that Niagara Region residents have exercised an ability to choose from a wide range of residential environments independently of their choice of work location. Thus, for example, Pelham offers a rural atmosphere that many appear to find aesthetically pleasing and which may be adversely affected by industrial development. Others seem to prefer the larger city amenities available in St. Catharines. Preservation of the ability of regional residents to choose from a diversity of residential environments is important to their quality of life. On this consideration alone, perhaps industrial development in municipalities such as Pelham should actually be discouraged. But Pelham residents need jobs as well as aesthetically pleasing residential locations, so that the municipality has a direct and vital interest in the

pursuit of employment creation in other lower tier municipalities. Thus the development approach in the Niagara region must be integrated so as to achieve the most rational pattern of development of the Region as a whole.

Local Revenue Impacts

It was argued above that development policy should be directed at increasing the economic well-being of citizens, and that such well-being could be measured as their ability to command goods and services. Further, such goods and services should be taken in the broad context to include not only those directly purchased by residents themselves, but also those provided on their behalf by local governments. The question then arises of whether the conclusion reached in the last subsection holds with respect to the second component of total income. That is, do the municipal revenue consequences of economic development in one lower tier municipality spill over its boundaries to affect residents in other lower tier municipalities.

Municipalities must be cognizant of their obligation to increase the value of public services they provide for their citizens and/or to reduce the tax burden placed on local ratepayers. The manner in which this objective is typically pursued is through increased industrial/commercial assessment. This is, of course, the second primary rationale for pursuing local economic development policy. Can a case be made for independence of such policy at the lower tier municipal level? In other words, do substantial spillovers of benefits between local area municipalities occur as well in the case of creation of increased industrial or commercial property tax base? Or are the municipalities isolated from each other in the sense that each can fully capture any fruits of success in development policy?

As it turns out, what is true for the Niagara Region labour market is also true for the Region's property tax base. Success in the expansion of any single lower tier municipality's tax base will have positive, often substantial consequences for every other local area municipality of the Region. In the case of the labour market, the remarkable degree of job-related commuting is the glue that binds the lower tier municipalities together and serves to distribute the benefits of job creation in one local area municipality across the others. In the case of industrial/commercial

assessment, it is the manner in which regional government is financed that leads to a diffusion across the Region of the effects of increased assessment in any one of the lower tier municipalities.

The method of financing Regional government effectively results in a situation where local area municipalities share in the combined assessment base of the Niagara Region, so that new industrial assessment located in any one of the twelve municipalities improves the financial position of each of the rest. This is a well established, though not widely acknowledged or accepted, fact, having been demonstrated for the Niagara Region by the Soroka study for the Archer Commission¹⁰ and confirmed in calculations made by the Regional Niagara Finance Department.¹¹

As a simple example, consider the Regional levy which is imposed on each of the local municipalities. Each municipality's share of the total Regional levy is determined by its share of "discounted equalized assessment" in the Region. This value is essentially the estimated market value of property in the Region.¹² If a municipality manages to increase its industrial assessment, it will also be required to shoulder a larger proportion of the Regional budget. The burden on the other municipalities will consequently decline. The magnitudes are easily calculated for 1988. Table 2.4 calculates the change in the Regional levy for the local municipalities subsequent to an increase in equalized industrial/commercial assessment of \$1 million in each municipality in turn. Thus, the first column shows the changes in the Regional levy for each of the twelve lower tier municipalities if equalized industrial assessment in that municipality is increased by \$1 million, holding the value of industrial property constant in the remaining municipalities and holding the total Regional levy constant. The second column shows the decrease in the Regional levy for each municipality should the increased assessment occur in any of the other eleven municipalities.

¹⁰. L. Soroka, "Public Finance in the Niagara Region," Niagara Region Study Review Commission, 1974.

¹¹. Report DF84-53, Finance Department, Regional Municipality of Niagara, May 1984.

¹². In actual calculations, the residential/farm component is scaled down to 85% of total estimated value.

TABLE 2.4
CHANGES IN THE REGIONAL LEVY
(1988)

<u>Impact on Apportionment of \$1 million in</u>		
	The Municipality	Other Municipality
Niagara Falls	+\$5,626	-\$1,627
Port Colborne	+ 6,931	- 322
St. Catharines	+ 4,970	- 2,283
Welland	+ 6,501	- 752
Thorold	+ 6,905	- 348
Fort Erie	+ 6,802	- 451
Grimsby	+ 6,922	- 331
Lincoln	+ 6,967	- 286
Niagara-on-the-Lake	+ 6,865	- 388
Pelham	+ 7,046	- 208
Wainfleet	+ 7,160	- 93
West Lincoln	+ 7,091	- 163

Source: Calculations by author

A full accounting of the impacts of new industrial/commercial assessment in any one of the lower tier municipalities on the finances of all twelve is, of course, a much more complex calculation. Not only will the receiving municipality's own property tax revenue increase, but all lower tier municipalities will experience changes in their contribution to both the Regional levy and the Educational levy. In addition, unconditional grants from the province which are based on levels of assessment in the municipalities may be adjusted. The combined impact of all direct changes in local revenues resulting from increased assessment have been calculated by the Regional Niagara Finance Department and are reproduced in Tables 2.5 and 2.6.

Table 2.5 calculates the net revenue impact on any lower tier municipality of \$1 million new equalized (or estimated market value) industrial/commercial assessment in that municipality. A few words of explanation are in order. Column (2) is familiar from the discussion of Table 2.4. In addition to shouldering a larger proportion of the Regional levy when its industrial/commercial tax base increases, a municipality will also contribute a larger share to the Educational levy. This factor is reported in column (3). Direct grants to municipalities from the Province in the form of Resource Equalization Grants (REGs) are apportioned among municipalities in the province on the basis of per household equalized assessment. Equalized assessment in each municipality is compared to a pre-specified standard. If a deficiency exists, the municipality is eligible for an REG calculated as the product of its deficiency rate and the net general dollar levy of a prior year. Certain maximums apply. Also, a change in the actual amount of the grant is made only if the calculated grant changes by at least some minimum amount. As it turns out in 1982 (the basis year for the calculations), a change of \$1 million in equalized industrial/commercial assessment is not sufficiently large to make the calculated grant changes exceed the minimum threshold, except in West Lincoln. It should be borne in mind that a larger change in assessment would result in reductions in the REG for most of the municipalities of the Region. Changes in the REG for both the local and Regional Municipality are reported in Columns (4) and (5). Net financial benefits accruing to the municipality are reported in column (6). For all but the Municipality of West Lincoln, the value in the column is simply the increase in own property tax revenues less the increased Regional and Educational Levies. For West Lincoln, the increased industrial assessment is large enough to prompt a change in its

TABLE 2.5

NET BENEFITS RECEIVED BY AN AREA MUNICIPALITY
(resulting from \$1 million equalized industrial assessment)
1982

	Additional Tax Revenue	Increase in Regional Levy	Education Tax	Reduction in REG Local	Regional	Benefits to Area Municipality
	(1)	(2)	(3)	(4)	(5)	(6)
Niagara Falls	\$29,451	\$5,022	\$11,672	\$0	\$0	\$12,757
Port Colborne	33,895	6,314	12,137	0	0	15,444
St. Catharines	28,548	4,518	11,756	0	0	12,274
Thorold	30,688	6,275	14,510	0	0	9,903
Welland	34,881	5,933	13,722	0	0	15,226
Fort Erie	26,891	6,142	11,070	0	0	9,679
Grimsby	21,936	6,303	10,897	0	0	4,736
Lincoln	21,352	6,489	10,951	0	0	3,912
Niagara-on-the-Lake	7,155	6,375	9,468	0	0	1,312
Pelham	20,127	6,609	11,004	0	0	2,514
Wainfleet	17,505	6,458	9,304	0	0	1,734
West Lincoln	19,186	6,336	10,147	3,966	3,340	2,622

a This value takes into account changes in the Region's REG and subsequent changes in the Municipality's apportionment

Source: Regional Niagara Finance Department, DF84-53, Schedule 2

TABLE 2.6

IMPACTS OF \$1 MILLION OF EQUALIZED INDUSTRIAL/COMMERCIAL
ASSESSMENT IN ANY ONE MUNICIPALITY
(decrease in Regional and Education Levy Plus
Shared Portion of Reduction in REG at
Regional Level - 1982)

Increased Assessment in	Niag Falls	Port Colb	St Cath	Thorold	Welland	Fort Erie	Grimsby	Lincoln	N-O-T-L	Pelham	Wain- fleet	West Lincoln
Niagara Falls	\$-16694	\$1948	\$2098	\$2138	\$5222	\$2667	\$313	\$126	\$240	\$1051	\$612	\$279
Port Colborne	6521	-18451	2098	1639	3946	2051	313	126	240	752	485	279
St. Catharines	1593	302	-16274	340	682	473	3655	3363	3398	12	157	2298
Thorold	7542	1724	2098	-20785	4629	2374	313	126	246	911	549	279
Welland	8317	1921	2098	2110	-19655	2627	313	126	246	1028	596	279
Fort Erie	6242	1420	2098	1558	3760	-17212	313	126	246	709	467	279
Grimsby	1593	302	10292	340	682	473	-17200	313	126	246	709	928
Lincoln	1593	302	10307	340	682	473	1388	-17440	2191	12	157	929
Niagara-on- the-Lake	1593	302	9179	340	682	473	1241	1025	-15843	12	157	839
Pelham	5907	1336	2098	1473	3532	1860	313	126	246	-17613	443	279
Wainfleet	5119	1149	2098	1271	3017	1608	313	126	246	542	-15762	279
West Lincoln	753	142	8335	160	322	223	1110	990	1025	6	74	-16480

- indicates increased contribution by municipality

Source: Regional Niagara Finance Department, Report DF84-53, May 1984

Resource Equalization Grant, and that of the Region of Niagara. Because the Regional grant is apportioned among local municipalities, the net benefit is not a simple subtraction of columns (2), (3), and (4) from (1).

Just as an increase in industrial/commercial assessment will increase a lower tier municipality's contribution to the Regional budget, so will it reduce that of the other municipalities. The calculation is analogous to that of Table 2.4, but made more complex by the consideration of the Education levy and the Resource Equalization Grants. Table 2.6 reports the overall impact on a lower tier municipality resulting from one million dollars worth of new equalized industrial assessment located in any other local area municipality. Thus, for example, Niagara Falls's contribution to the Regional and Education levies will rise by \$16,694 (the sum of columns (2) and (3) in Table 2.6). The contributions of the other lower tier municipalities will fall by the amounts indicated in the first row. Each row corresponds to the assessment being placed in the indicated municipality.

The upshot of all these calculations is quite simple. Residents of any one of the lower tier municipalities will benefit from economic development that increases the amount of industrial or commercial assessment in any other of the local area municipalities. They therefore have a vested interest in the local economic development policy of those other municipalities. As a corollary, the tax base sharing implies that no single lower tier municipality can fully capture all of the tax revenue benefits to be derived from new assessment and cannot therefore reap the full return on any investment made in trying to attract new industry. Indeed, it might be argued that residents of municipalities such as Wainfleet, which do not conduct proactive development policy, should be grateful that the taxpayers of Welland, St. Catharines, Niagara Falls, Port Colborne, and Fort Erie are willing to pay for such efforts.

Of course, a lower tier municipality may benefit more from the location of new industrial assessment within its own boundary than in another Niagara Region municipality. In terms of revenue consequences alone, Table 2.5 and 2.6 show that this would clearly be the case. Even subtracting the increased Regional and Education levies from the additional property tax revenue, the own revenue gains from new industrial assessment are substantially larger than the

consequences for the other lower tier municipalities.¹³ However, these calculations do not take into account possible cost increases to the municipality relating to the service needs of the new establishment. The size of net benefits accruing to residents of a lower tier municipality of attracting new industrial assessment to their community is open to question. In principle, it is possible that the residents of a municipality receiving new industry actually lose as a group, and that therefore the best thing that could happen to them is to have industry locate next door.

Conjectures as to whether this is true would be pure speculation without an exhaustive and complex empirical investigation. There are, for example, cost consequences for those lower tier municipalities not receiving the new establishment, relating to the residential needs of any new workers. Once again, this report side-steps the larger question of whether economic development is worth pursuing. But an important result has been demonstrated. The structure of municipal finances in the Niagara Region effectively serves to diffuse revenue consequences of economic growth throughout the Region. Any gains are shared by all residents of the Niagara Region.

2.3 Summary

The general economic malaise of the Niagara Region in the late 1970s and early 1980s led to a perception of need for policy measures to expand and diversify the Region's economic base. The wisdom of such policy really depends on two assumptions: that economic growth is desirable; and that the policy measures themselves are effective.

This chapter must concede the first point. Certainly, no evidence has been offered which would in

¹³. It might be pointed out that even this was not the case for some municipalities in Soroka's (1974) study. In that study, some lower tier municipalities actually suffered losses of net tax revenue as a consequence of reduced Resource Equalization Grants. At the time of Soroka's calculations, the REG did not have a change threshold to cross before the actual grant was changed. In Table 2.6, absence of this provision in the grant formula would result in more positive values in columns (4) and (5), and thus, generally reduced values in column (6).

any way indicate that economic growth is undesirable for the citizens of the region. Indeed, the unemployment rates reported for the region would seem to suggest that the Regional labour market both has the capacity to absorb employment creation without undue strain on local wage levels and has a need for more employment opportunities for local residents.

This leaves us with the second question - the effectiveness of local economic development policy in bringing about the desired expansion of the regional economic base. In this case, the chapter has served to point out facts of importance in assessing such policy. Primarily, the case has been made that economic development policy should be formulated and conducted using a regional perspective. Attempts by the residents of one lower tier municipality to improve the economic situation in their own community will result in benefits that are not only widely distributed throughout the entire Niagara Region, but may be quite muted within their own municipality. Residents of the Niagara Region are all in the same economic boat.

CHAPTER 3

THE ROLE FOR PUBLIC POLICY IN LOCAL ECONOMIC DEVELOPMENT

3.1 The Rationale For Local Government Involvement

There is extensive government involvement in the economy that has the straightforward aim of promoting growth in the level of economic activity. In the Niagara Region, all three levels of government, federal, provincial, and municipal, undertake a wide range of activity directed at enhancing the performance of the local economy. The Business Improvement Loans Act, the Federal Business Development Bank, the Industrial Research Assistance Program, the Ontario Development Corporation, the Small Business Development Corporation, the Business Start-Up Hotline are but a few of the agencies and initiatives of the provincial and federal governments. The complete list would be extensive to the point of being bewildering, even without including those agencies which have a more general impact on local economic health, such as the Ministry of Skills Development.¹⁴ Although this report focusses on formal local economic development agencies, many other activities of municipal governments can have substantial economic consequences.

The combined expenditure of all such initiatives must certainly be substantial. They must therefore be justified by some rationale.

Government has an important and extensive role in a market economy for, if left unregulated, such economies will inevitably produce outcomes that are not wholly satisfactory. For example, there is concern that these outcomes may be inequitable in the manner in which incomes are distributed. Thus, an extensive government machinery has evolved to redistribute income, both between people and between geographical regions. For reasons we need not go into here, unregulated market economies can be expected to produce certain goods and services in amounts that will be below the socially desirable levels. Hence, education services are largely produced by governments. From time to time, market

¹⁴. The Federal Business Development Bank's database lists 307 national assistance programs, 1,700 provincial programs, and 8,100 related "information products." From The Globe and Mail, "Governments' Aid Plans Burgeoning," September 5, 1988.

economies are subject to downturns in the level of economic activity which are destructive to overall economic well-being as well as onerous for those who find themselves without employment. Government may use its control of interest rates in an attempt to keep the economy on an even keel.

Responsibility for interventions in the economy to correct its deficiencies lies primarily in the hands of federal and provincial governments, an arrangement with sound economic logic. For example, redistribution of income between persons is best handled by the federal government. Should a municipal government try to transfer income from wealthier to poorer persons, it would soon find that the former group has moved to another municipality which has lower tax rates. Redistribution between geographic regions clearly must be done by the government that includes all such regions. Similarly, it would be unwise to assign complete responsibility for the provision of, say, education to municipal governments. The benefits of education accrue, to a large extent, to individuals outside of the municipality where it is provided. One might expect local decision-makers (and taxpayers) to take account only of the benefits to citizens of their own municipality and, therefore, to provide less education services than a full recognition of benefits would warrant. Finally, municipal governments simply do not have the tools at their disposal, such as interest rate determination, which are necessary to influence the macroeconomic performance of the economy.

What rationale is there, then, for municipal involvement in local economic development policy? If the community of interest is larger than the municipality, there is very little rationale indeed for policy formulation at the local level. In the pursuit of national or provincial goals, decision-making must rest with the federal or provincial government. There is, however, reason for municipal involvement in the initiatives of the two senior levels of government. For example, welfare programs designed to redistribute income from the rich to the poor must be designed at the provincial or federal level. But municipal governments play a role in delivering such programs. Similarly, education policy ought not to be designed at the local level, but primary and secondary education are delivered at the municipal level. The same applies to economic development initiatives. Even if a local municipality does not pursue an independent development policy, there is a role for it to play in the delivery

of the provincial or federal initiatives.¹⁵ For example, the IRDP was a program designed to bring about a more even geographical distribution of economic activity across Canada. Clearly, municipal governments cannot be assigned responsibility for such programs. However, local economic development officers participated extensively, in cooperation with federal officials, in disseminating information about the program within their communities and assisting local firms in seeking assistance from the program. Thus local involvement in economic development may be justified if municipalities are considered as agents of more senior levels of government.

Municipal officials, of course, may not view the matter in this way. From their perspective, local economic development policy is to be justified by simple investment criterion. Expenses related to development efforts are seen as an investment made by the municipality, with returns coming in the form of increased employment and property tax revenues. In the terms of this study, municipalities see it as their right and obligation to increase the total incomes of residents of their community.

3.2 The Scope for Local Government Involvement

From the community's point of view, proceeding with development efforts if the benefits exceed the costs is sound financial logic.¹⁶ On this there can be no debate. However, from a larger perspective, local development initiatives have the potential to be destructive to the economic well-being of the province or country. If municipalities are overly zealous in attempting to get their slice of the economic pie, the size of the pie may shrink. For example, if property tax reductions are offered by a municipality, firms may be induced to locate in areas that involve larger resource use for, say, transportation. This would be wasteful from the national point of view. Moreover, local economic development policies may conflict with

¹⁵. For example, the Ministry of Industry, Trade, and Technology is currently seeking ways of augmenting the availability of local economic development expertise in municipalities in order to assist the Ministry with its plant location activities.

¹⁶. This, of course, assumes that all costs and benefits have been carefully and fully considered.

the objectives of higher levels of government. Regional disparities reducing policies that offer location incentives to firms locating in lagging regions of the country might be negated by financial incentives offered by those municipalities deemed ineligible for such incentives by the federal government. It is precisely for these reasons that the instruments municipalities are allowed to use in local economic development policy have been severely limited by the Provincial government. Indeed, the potential damage to the economic welfare of the larger constituency was recognized almost a century ago when restrictions were placed on municipal bonuses.

Local economic development policies in Ontario are legally conditioned by the terms of the Municipal Act. Financial assistance to business is strictly forbidden:

... a council shall not assist directly or indirectly any manufacturing business or other industrial or commercial enterprise through the granting of bonuses in aid thereof, and, without restricting the generality of the foregoing, the council shall not grant assistance by,

- (a) giving or lending any property of the municipality, including money;
- (b) guaranteeing borrowing;
- (c) leasing or selling any property of the municipality at below fair market value;
- (d) giving a total or partial exemption from any levy, charge or fee.

(S.O. 1986, c. 302, s. 112)

Section 208 of the Municipal Act is the legal basis for most of the economic development activity, permitting municipalities "...to publicize the advantages of the municipality as an industrial, agricultural, business, educational, residential or vacation centre." The Regional Municipality of Niagara Act provides for promotion by both the upper and lower tier municipalities.

In addition, amendments to the Municipal Act in 1986 permit local municipalities to "... provide for the establishment of a counselling service to small businesses operating or proposing to operate in the municipality." and to "... participate in programs established and administered by the Ministry of Industry, Trade and Technology to encourage the

establishment and initial growth of small businesses, or any class thereof, in the municipality." (S.O. 1986, c. 302, s. 112a). These amendments reflect a trend in the focus of local economic development away from the classic "smokestack chasing" approach of the field toward the nurturing of existing, indigenous, and small businesses.

The upshot of these legal restraints is that local governments, unlike their senior counterparts, cannot directly subsidize firms or otherwise improve their bottom line in any direct manner. That is precisely and properly their intention. But there do remain avenues through which municipalities can reduce costs to firms, however small such reductions may appear in relation to operating costs. Note that none of the following justifies expenditure by municipalities on economic development initiatives on a cost-benefit criterion--the intention is only to point out that potential for effect exists.

Information is an economic commodity, valuable to business and produced only at cost. Business expends resources in searching for appropriate sites or buildings for location or expansion, locating required contractors, negotiating the sometimes difficult maze of local by-laws and zoning regulations, and establishing required local contacts. In short, there are capital costs of organization. As well, real costs are incurred in acquiring information on the myriad of government assistance to business programs. Local economic development officers can reduce the cost of information gathering for firms. The resulting cost reductions may be marginal in the long run perspective of a firm, but local economic development efforts will reduce them.

In addition, to the extent that those charged with economic development are able to influence local council or planning officers, the standards of municipal services may be improved or made more compatible with the current needs of business. Whether by advocating changes in service provision that will make the municipality more attractive to new firms, or by channeling to city hall the service needs of existing business in the community, the potential exists for a reduction in business operating costs.

Although the link may be tenuous, local economic development officers may be able to reduce business costs by encouraging the development of personal amenities in the municipality. There is evidence that the perceived level of amenities in a community is

inversely linked to wage levels.¹⁷ Employers in communities that are perceived by workers as being less appealing may have to offer higher, compensating wages to compete with employers in communities seen as more desirable by employees. Efforts of the sort now occurring in Welland to improve the aesthetic appeal of the municipality may reduce any compensatory wage differentials in the municipality and thereby reduce operating costs to firms.

Through such activities, municipalities attempt to produce a "product" to sell potential clients. The next logical step is to market that product. Promotion and business prospecting are typically given high priority in development policy. Perhaps because promotion was the only pursuit explicitly mentioned as permitted in the Municipal Act until 1986, marketing is in many minds perceived to be the singular activity of local development policy. Certainly, it is a major preoccupation at the Regional level in the Niagara Region. There are, however, other avenues of development available to municipalities.

Such avenues might be given the general description of facilitating or encouraging business already operating in the community. These initiatives are differentiated from the classic business of bringing industry into a municipality by their focus on existing firms. Although the mind-set of some may be difficult to change, most local economic development practitioners have come to understand that job creation in a community is primarily generated from within. Attention is therefore directed at the expansion of existing firms or the incubation of local entrepreneurs. Seminars on export promotion, the pairing of inexperienced and experienced business people, and attempts to retain local financial capital follow from this perspective. Success in such endeavours may lack the impact of an announcement of a major new foreign investment in the Region. However, the encouragement and support for indigenous economic activity may yield the best return on investment in local development policy.

¹⁷. See, for example, Stephen T. Marston, "Two Views of the Geographic Distribution of Unemployment", Quarterly Journal of Economics, (Feb. 1985), 57-79.

3.3 The Evidence of the Success of Government Involvement

There is, simply, no definitive evidence on the success of local economic development initiatives. Certainly there are opinions, but they are often based on anecdotal evidence and, perhaps consequently, range from the extremely negative to the extremely positive. By its nature, the economic development profession is optimistic and not prone to critical self-assessment. It is remarkable that government activities involving substantial sums of money when taken in the provincial aggregate are not subject to the formal and rigorous evaluation procedures that are standard for other forms of government intervention such as manpower programs. Little wonder that the affection with which local economic development officers are held by the public and some politicians rises and falls with the greater economic tide. When economic times are good in the municipality (and therefore, in all probability, in most other municipalities) local economic development officers are esteemed. Conversely, when the municipality shares in the general downturn, they are publicly chastised. A well-placed news item about Sudbury having pulled itself up by its bootstraps can lead to demands that the local officer perform the same economic miracle.

Without some quantitative assessment of the effects of local development efforts, it is not possible to form realistic expectations of what such efforts can accomplish. More importantly, the comparison of costs and benefits that financial 'rationality' would dictate should be conducted cannot proceed.

This is not to suggest that such evaluative work would be a simple task. Indeed, it would be quite complex and perhaps not definitive. It may not be feasible to conduct this analysis at the local level for it would require at least a comparative analysis of different approaches to local development. Moreover, such a study would require the canvassing of both firms that did choose to locate in any community and firms that did not. Obviously, only one of these groups is fully accessible to the local municipality. In addition, a fairly large expenditure would be required to extract the necessary data from existing bases or develop new data. The evaluation would also be made difficult by the nature of the development business. The dealings in which local economic development officers take part are often of a confidential nature. Full disclosure may risk reducing their credibility in

the eyes of their clients and, hence, their effectiveness. All of these things put the exercise well beyond the scope of this study, and perhaps beyond the capabilities of municipalities.¹⁸

In the absence of such an evaluation, we can use only logic and parallels to make inferences about the efficacy of local economic development policy. First, let us note that the narrow view of effectiveness is being used here. That is, we are concerned with the question of whether such policy initiatives have been successful in expanding the level of economic activity, not the larger question of whether such efforts have increased the total incomes (market income plus net fiscal benefits) of residents in those communities where they have been pursued.

From the inferential evidence, one cannot draw a wildly optimistic view of the impact that local economic development policy can have on the choice of location made by firms. There is first the fact that municipalities cannot control many of the factors that are of importance to business in choosing a suitable location for their operations. Those factors within the purview of the municipality are subject to only limited control. Table 3.1 reports the results of a survey indicating factors which were of importance to firms in selecting a suitable geographic location for their operations.

Interpretation of Table 3.1 is not entirely straightforward. The factors are reported by frequency of mention in responses to questions about factors influencing location. Thus, the fact that "business-government relations" are mentioned in 5.3% of the responses to the survey cannot be taken to imply that

¹⁸. It is worth noting, and drawing the attention of readers, to a major research project being conducted at the Economic Council of Canada. "Directions for Regional Policy" is a reaction to the rather poor showing for the efforts of the Federal government in eliminating regional disparities through macro approaches. The project will explore the potential for a 'bottom-up' approach to regional development involving community and local initiatives. Individual communities which appear to have successfully brought about an increase in their economic fortunes will be analyzed in an attempt to understand the causal factors of this success. Unfortunately, the results of this research are as yet unavailable.

TABLE 3.1

DETERMINANTS OF PLANT LOCATION

Factor	Frequency of Mention (%)
Labour Supply	8.9%
Access to Markets and Suppliers	8.9
Energy Costs	7.7
Labour Conditions - Wages & Productivity	7.1
Community Facilities and Quality of Life	7.1
Local Taxes and other costs	6.5
Transportation	5.9
Return on Investment, profitability	5.9
Customer Requirements	5.9
Business-Government Relations	5.3
Management and Operational Needs	4.7
Cost of Land, Cost of Leasing	3.6
Local Capacity for Growth	3.5
Technical Services	2.9
Access to Materials and Competitors	2.4
Financing Availability	2.4
Investment in Current Location	2.4
Working Environment, Climate	2.4
Personal Consideration of CEO and other Key Personnel	2.4
Education and Training Facilities	1.8
Laws and Regulations	1.2
History and Traditions	1.2

Source: L. Lund, Factors in Corporate Locational Decisions, The Conference Board, Washington, D.C., 1979, p. 9.

this factor alone determined plant location in 5.3% of the cases. The final decision on location must certainly be based on more than one of the considerations in the table.

Bearing that in mind, the table shows that municipalities do have control over some of the factors which influence location and may therefore have at least a marginal impact. "Business-government relationships" and "laws and regulations" together are synonymous with the rather nebulous term "business climate", the improvement of which is an oft-stated goal in the local economic development literature. The fact that the personal preferences of the CEO with regard to, say, residential amenities of a location may play a role in some cases introduces the fuzziness into the location equation that is pounced on by local development officers cum marketers.

Having said that, however, great care must still be taken in drawing inferences. Certainly, municipalities have the ability to change the quality of relationships between city hall and local business people. And such quality is reported in the table as being a factor in location. But the level of local taxes and other costs is also reported as a factor, and more frequently. Yet, the empirical evidence on the impact of local taxation on business location is overwhelmingly that levels of taxation do not appear to affect the geographical distribution of economic activity.¹⁹ In addition, a general disillusionment with the regional disparities initiatives of the federal government has recently developed. Decades of substantial expenditures on location subsidies to firms in selected regions have resulted in seemingly little or no change in the geographical distribution of economic activity. If initiatives that have real, direct effects on the bottom line of firms has had little impact on location, it is difficult to understand how those limited instruments available to municipalities can be effective.

¹⁹. Unlike their Canadian counterparts, local municipalities in the U.S. can compete for business with reductions in local taxation and service costs. This seems to have had little or no impact. See, for example, M. Wasylenko, "The Location of Firms: The Role of Taxes and Fiscal Incentives", in R. Bahl (ed.), Urban Government Finance, (Beverly Hills, Sage Publications), 1981, 155-190.

The lesson to be drawn from this evidence is that local economic development policy cannot change the fundamental economic facts of the municipality. Despite stated objectives of encouraging educational and skills training of the local labour force, little progress will be made in this regard by the municipality alone. Indeed, federal and provincial governments, with the full mandate and power to initiate and fund large scale human resource and skills development programs, have generally met with extremely limited results. What municipalities can do is work away at the margin, attempting to tip the scales in their direction. They cannot assure themselves of general success in improving the economic environment of their community, but may have specific victories. The validity of this conclusion is given some support by the responses to a survey conducted by the Niagara Region Review Commission. The results of this survey will be discussed in chapter 5.

There is also the fact that, while municipalities may not have full control over all location factors, they have the ability to communicate their advantages through promotion. Business is a rational endeavour and decision-makers must be expected to equip themselves with all available data required for the location decision. But it need not be assumed that they will expend the resources required to obtain the requisite information from all potential locations. Finding the right location is important for a firm's financial performance, but it may be an expensive undertaking. There may come a point in the search where additional expenses incurred in obtaining that information outweigh the benefits obtained through improved location. In this sense, pure promotion may succeed in attracting business to the community. Firms may choose on the basis of the factors listed in Table 3.1 which municipality will serve them best - but they may only consider those for which they have accessible and complete information. As a justification for expenditure by municipalities on promotion, this is somewhat akin to the rationale used by lottery ticket purchasers. The chances of winning are abysmally low, but there is no chance of winning without a ticket.

It should also be noted that the factors above are of importance to profit-oriented business enterprises. Many communities have benefited economically by attracting sources of jobs and municipal revenue whose location is determined more by political than financial considerations. There can be little doubt that some municipalities have successfully orchestrated lobbying

efforts that have paid off in research facilities, hospitals, and government offices.

Evidence on the efficacy of local economic development policy with regard to the fostering of indigenous growth, as opposed to the relocation of business, is much more difficult to come by. Data which would allow such an evaluation is simply non-existent, especially data which would allow some measure of the flows of financial capital. Thus, whether efforts at the municipal level to encourage the local investment of resident savings have been successful cannot be known.²⁰

3.4 Summary

In summary, then, the limited evidence allows the following inference. Local municipalities appear to have available some very limited instruments for affecting the local economic environment. The effectiveness of these instruments in expanding the local economic base is subject to question, but they presumably do not have the effect of reducing that base. Whether their positive effects merit the expenditure upon them is difficult to establish. Moreover, there is some potential for damage within a two-tiered system such as the Niagara Region. This would occur if the efforts of one local municipality result in a less than optimal location for firms, to the detriment of the Region as a whole. More shall be said about this in the following chapter.

²⁰. Although the Economic Council of Canada's research project may shed some light on this.

CHAPTER 4

ECONOMIC DEVELOPMENT POLICY IN THE NIAGARA REGION

4.1 The Structure of Economic Development Policy

Initiatives designed to expand and diversify the economic base of the Niagara Region are delivered through a complex network of federal, provincial, and municipal agencies, local politicians, and volunteer business people. This section focusses on the structure within which formal economic development policy is designed and conducted. Special attention is given to the division of responsibilities between the upper and lower tier municipalities.

The various Regional Acts differ in the assignment of responsibility for development policy to upper and lower tier municipalities. In some Regions the jurisdiction is assigned to the upper tier only. In others, lower tier municipalities are given sole responsibility. Whatever their effectiveness, such arrangements are certainly much simpler to operate. In the Niagara Region, both the upper and lower tiers are given their mandate in precisely the same terms. There is no formal division of the various functions of economic development policy, nor is there a formal hierarchical organizational structure. Indeed, no binding, statutory provision is made that would require the two tiers to operate in an integrated fashion. In short, two sets of entities have been given the authority to conduct the same functions with no consideration given in law to their interaction.

To be sure, the tiers differ in their constituencies, but this does not serve to provide a proper organizational structure. For example, the NRDC is given the responsibility for attracting industry into the Regional Municipality. But a firm can locate in only one of the lower tier municipalities. Thus, it is not possible in practice to separate the function of locating industry in the Niagara Region from that of locating it in a lower tier municipality. As well, given the integrated economic structure of the region, the efforts of a local area economic development officer actually work on behalf of the Niagara Region as a whole and, therefore, fulfil the mandate of Regional body. Clearly, there is potential not only for duplication of services, but also territorial skirmishes. To their credit, the local practitioners have recognized this and have developed a set of guidelines intended to ensure

that neither of these events occur. However, given that this division of functions is entirely voluntary, the potential for damage continues to exist. Moreover, once the functions have been divided between the upper and lower tiers, there is no binding arrangement for ensuring that delivery of the total effort is integrated. More will be said about this in the evaluative chapter to follow. This chapter seeks only to describe economic development policy in the Niagara Region. The first order of business is to review the participants.

The Niagara Region Development Corporation (NRDC)

The Niagara Region Development Corporation was formed in response to a perceived need for a regional approach to economic development during the period of economic malaise described in chapter 2, and following recommendations made by the Woods Gordon group in 1980. It might be noted here that the Woods Gordon Report also recommended that the Regional Municipality of Niagara Act be amended to make the formal local economic development function the sole responsibility of the Region. Local area municipalities, it was recommended, should discontinue economic development activity unless delegated to do so by the Region or if their role was restricted to one of providing advisory input to the Regional agency.²¹

The NRDC is a non-profit, incorporated agency funded by the Regional Corporation. The corporation is comprised of 27 members, including 4 Regional Councillors. The Regional Chairman sits as an ex officio member. The majority group in the membership consists of well-placed business people, but there is representation from the educational sector as well. A professional staff complement of four reports to an eleven member Board of Directors, drawn from the membership, that includes the Regional Chairman as well as one Regional Councillor.

The NRDC has a mandate to perform the complete range of activities associated with local economic development on behalf of the Region, although it does not participate in the development of industrial land. Initiatives are guided by a rather ambitious five year strategic plan devised in 1985 and revised in 1987.

²¹. Woods Gordon, Regional Niagara: Economic Development Study - Final Report, 1980, pg. 73.

That plan consists of six objectives with a set of strategies for accomplishing each, listed in Table 4.1²²

All objectives are not pursued with equal energy, partly as a result of the division of responsibilities agreed to by the municipalities of the Region. A great deal of effort is expended in the industrial prospecting operation to attract new activity into the Region. Marketing of the Region's advantages is conducted through external advertising and offshore visitations. Factual information on labour force characteristics, site and service availability, and industrial activity is compiled for potential clients. Incoming referrals from all sources, including federal and provincial agencies, are dealt with directly or channeled to lower tier economic development officers.

Indigenous firms are assisted through the hosting of business seminars, provision of information on and assistance with government programs, representation at sales and trade missions, and assistance with the securing of local financial capital. The latter function, especially, is worthy of mention. The NRDC has spun off a separate non-profit corporation Locating Investors for Niagara Companies (LINC), supported by the federal government through Employment and Immigration Canada and having the NRDC general manager as President and the NRDC Board of Directors as its Board and Executive Committee. By outward appearances, the initiative is successful. Unfortunately, the confidential nature with which such an activity must be conducted makes evaluation difficult. Nevertheless, the local retention of capital for small business development appears to be the wave of the future in regional development policy and the performance of LINC is most intriguing.

In sum, the NRDC has at its disposal the complete tool kit of the local economic development practitioner. Its literature reflects the latest innovations in field, complete with the new emphasis on the service sector as the creator of jobs and on the development of existing business and local entrepreneurs as the means to achieve the greatest return on the investment in local economic development.

²². More discussion and description of the objectives/strategies is available in NRDC Economic Development Strategy, NRDC, December 1987.

TABLE 4.1
NRDC OBJECTIVES AND STRATEGY

OBJECTIVE

Strategy

-
-
- 1.0 CREATE AND MAINTAIN A POSITIVE BUSINESS ENVIRONMENT FOR THE NIAGARA REGION
 - 1.1 Marketing Niagara as a Location for Investment
 - 1.2 Specialized Business Consultancy
 - 1.3 Targeted Communication

 - 2.0 WORK CLOSELY WITH REGION'S AREA MUNICIPALITIES TO BUILD A CO-ORDINATED AND MUTUALLY SUPPORTIVE APPROACH TO REGIONAL ECONOMIC DEVELOPMENT
 - 2.1 Two-Way Communications with Area Municipalities

 - 3.0 GENERATE GROWTH OPPORTUNITIES FOR THE SERVICE SECTOR
 - 3.1 Development and Expansion of Niagara's Tourism Facilities
 - 3.2 Development and Expansion of Niagara's Business Services Industries
 - 3.3 Ensure Niagara's Ability to Provide a Well Educated and Trained Work Force
 - 3.4 Identify and Develop Specific Service Sector Opportunities
 - 3.5 Coordinate Local Service Sector Development Initiatives with those of Senior Levels of Government

 - 4.0 SUPPORT FOR IMPROVEMENTS TO THE PRODUCTIVITY, VIABILITY, AND DIVERSITY OF THE REGION'S EXISTING INDUSTRIAL BASE, WITH EMPHASIS ON SPECIAL OPPORTUNITIES OR PROJECTS
 - 4.1 Special Projects/Industries Marked for Attention
 - 4.2 Maximize Capital Investment Spinoffs
 - 4.3 Support the Identification of Manpower/Skill and Technological Needs
 - 4.4 Promote Export Development

 - 5.0 FOCUS GOVERNMENT ATTENTION ON THE ECONOMIC/LIFESTYLE/INFRASTRUCTURE REQUIREMENTS OF THE REGION
 - 5.1 Preparation of Briefs to Government
 - 5.2 Consultation with Regional Government on Economic Issues and Policies
 - 5.3 Special Attention to the Development Needs of Niagara's Southern Tier

 - 6.0 SECURE THE GROWTH AND DEVELOPMENT OF SMALL AND MEDIUM SIZED BUSINESSES
 - 6.1 Foster the Start Up and Expansion of Small Businesses
 - 6.2 Serve as a Catalyst in Bringing Community Resources to Support Small and Medium Sized Businesses
 - 6.3 Encourage the Commercialization of Innovations
-
-

Source: NRDC, NRDC Economic Development Strategy, 1987

The Local Area Municipalities

There are two categories of local area municipalities. One group practices a proactive local economic development policy through staff explicitly dedicated to that function. This first group includes Fort Erie, Niagara Falls, Port Colborne, St. Catharines, and Welland. The nature of the economic development effort and approach differs substantially between these municipalities as do, consequently, the activities of the respective economic development officers. The second group of municipalities practices a reactive policy, responding to unsolicited clients requiring assistance with location or expansion. Typically, planning staff are assigned responsibility. But other staff, politicians, and local residents may spend considerable time and effort promoting the municipality or pursuing leads. In addition, certain municipalities in the second group have representatives on the membership of the NRDC.

Fort Erie

Development policy in Fort Erie is pursued by a single professional with the Chamber of Commerce, and operating under contract with the City. Although the operation is located in Chamber of Commerce facilities and is at some physical distance from City Hall, the executive committee to which it reports includes one planning officer and one local alderman. The remainder of the committee consists of three Chamber of Commerce members. The scale of the operation limits the range of activities to general promotion of Fort Erie. Reliance is placed on the NRDC for such initiatives as business seminars, which are promoted by the local economic development officer. In addition, Fort Erie participates in some foreign excursions arranged by the NRDC, an activity that would not be feasible without the NRDC.

Niagara Falls

Local economic development policy has a long history in Niagara Falls and is now administered by the Niagara Falls Economic Development Agency, a non-profit corporation reporting to a Board of Directors which includes the mayor and two aldermen. It is a full-fledged agency with the experience and expertise to conduct the full range of development activities. Indeed, Niagara Falls provided the Regional Corporation

with experienced personnel when the NRDC was formed. The fact that it has chosen to concentrate on the encouragement of existing local business (as opposed to external promotion) reflects the Agency's understanding of the sharing arrangement it has with the Regional Corporation rather than any limitations of expertise. As well, the Agency perceives itself to be financially constrained in the scope of its activities.

As stated, the agency has attempted to find a role for itself which does not overlap with that of the NRDC by allowing the latter to conduct its external marketing and concentrating its own efforts within the municipality. Tourism development (as opposed to promotion) is a priority item as is acting as advocate for business within the planning and services departments of City Hall. Matchmaking between entrepreneurs and potential opportunities is pursued, and the agency promotes the general aesthetic development of the city.

St. Catharines

Of the municipalities pursuing proactive economic development, St. Catharines is unique in having the responsible agency as an on-line department within City Hall. This organizational structure inevitably leads to a greater involvement with the general affairs of City Hall than is the case elsewhere. However, the arrangement maximizes the leverage within the planning organization of the City and gives the local economic development officers avenues for input into those council decisions that have implications for the economic development of the City.

Since the establishment of the NRDC, St. Catharines, like Niagara Falls, has narrowed its attention to indigenous business. External promotion has been left to the Regional agency, although the Department does, of course, respond to enquiries from any firms. It also claims to have devolved responsibility for certain programs it felt could best be conducted at the regional level, such as some export and film promotion activities. It continues to be involved in commercial and industrial development, tourism infrastructure development, convention promotion (in conjunction with the Chamber of Commerce), and promotion of the municipal industrial sites.

Welland

Welland also has a history of involvement in economic development. The Welland Industrial Commission was formed by letter of patent in 1963 and restructured into the Welland Development Commission in 1968. The Commission reports to a Board of Directors, which includes the mayor (ex officio) and two aldermen, and presents City Council with an annual report.

The Commission has had close links with city planners. The Commission was physically brought into City Hall in 1972 for cost efficiency reasons and continues to share space with the Planning Department. The Development Commissioner has also been the Planning Director since 1979, and a full-time Economic Development Officer to assist the Commissioner has been employed only since 1986.

The Welland Development Commission expresses a desire to avoid duplication of effort by sharing functions with the NRDC. However, the City perceives itself to be lagging in terms of economic development and therefore justified in a more proactive involvement in attracting new business, as opposed to an exclusive focus on indigenous firms (and unsolicited clients). As well, a greater emphasis appears to be placed (in its 1987 Report) on a rejuvenation of the city's aesthetic appeal and self-image.

Port Colborne

Port Colborne has only recently retained personnel dedicated to local economic development. A citizen-run Industrial Commission was replaced by an economic development officer in 1985, a position which has become solidified with the commencement of the Gravelly Bay project. The economic development officer reports to the Chief Administrator.

The activities of the Port Colborne economic development officer reflect the municipality's focus on Gravelly Bay as the wellspring of future economic prosperity. More than any other local area development officer, attention is given to tourist infrastructure development. This represents a major preoccupation, and lessens the resources available to deal with other functions. Consequently, reliance is placed on the NRDC for external promotion and industrial prospecting. However, the usual local activities of stick-handling the cases of clients through zoning regulations,

provision of local industrial information, marketing of industrial park sites, and so on, is considered within the purview of the economic development officer.

Grimsby, Lincoln, Niagara-on-the-Lake, Pelham, Thorold, Wainfleet, West Lincoln

None of these local area municipalities have staff dedicated solely to local economic development. However, they all have an implicit reactive policy, typically conducted by planning staff. Thus, while clients are not actively solicited, enquiries may be frequent and time-consuming for municipal staff. In addition, local politicians may devote considerable time to functions that must be considered as falling within a general definition of economic development policy, such as general promotion of the municipality and pursuit of leads. Finally, most of these municipalities are involved in the development of industrial land sites which, while perhaps an entry in the planning budget, is conceptually an economic development function. Moreover, Pelham, Wainfleet, and Niagara-on-the-Lake have representatives in the economic development activities at the Regional level: the first two through their mayors' membership in the NRDC and Niagara-on-the-Lake through the membership of the Town Administrator.

4.2 The Intensity of the Development Effort

The 1987 staff and budget levels of the various economic development agencies are reported in Table 4.2.²³ For various reasons, the values in the table do not provide an accurate picture of resources devoted to local economic development activity. First, in two municipalities (Fort Erie and Niagara-on-the-Lake), the budget figures were estimated apportionments of a larger budget item.²⁴ Second, as discussed above, although a municipality may report no explicit budget for economic development, some staff time (typically that of the town planner) will be devoted to responding to requests by

²³. The information in the table was provided during the interview process and is not derived from official budget reports of the various municipalities.

²⁴. In Fort Erie, the amount is estimated from a larger budget for the Chamber of Commerce. In Niagara-on-the-Lake, the budget item included costs associated with the servicing of municipally-owned industrial land.

TABLE 4.2

ECONOMIC DEVELOPMENT BUDGETS AND STAFF
1987

Municipality	Staff Complement		Budget
	Professional	Clerical	
REGION NIAGARA (NRDC)	4	3	\$471,147
St. Catharines	2	1.5	206,000
Niagara Falls	2	1	190,000
Welland	2 ^a	1	94,700
Port Colborne	1	.5	75,000
Fort Erie	1		75,000
Thorold			0
Grimsby			0
Lincoln			0
Niagara-on-the-Lake			12,000-15,000 ^b
Pelham			0
Wainfleet			0
West Lincoln			0
TOTAL LOWER TIER			\$654,200 ^c
TOTAL UPPER AND LOWER TIER			\$1,125,347

a One of these positions is shared with the Planning Department.

b The budget devoted to economic development was an estimated proportion of a larger budget which included costs of municipal industrial sites.

c Uses the mean of the Niagara-on-the-Lake estimate.

firms for information and assistance with respect to land, zoning, and so on. Therefore, expenditures by the municipalities on the function of economic development will exceed the values reported.

Moreover, the values in the table are the budgets of the formal economic development agencies. Not recorded are other expenditures made by the municipalities for the purpose of enhancing local economic performance. Thus, for example, contributions to local chambers of commerce or tourist promotion groups are not recorded.

Finally, professional staff are assisted by numerous private citizens acting in a voluntary capacity and by local politicians acting either in voluntary or official capacity. While the value of their time is not recorded here, it represents a substantial use of human resources (as well as, of course, a commendable civic contribution).

Some context is required to provide some perspective on the magnitudes reported. Comparisons with other Ontario municipalities are contained in Table 4.3. Since the caveats made above concerning budget figures as true measures of activity also typically apply to municipalities outside the Niagara Region, the comparisons are valid. However, it should be noted that the survey does not report its methodology in a comprehensive manner so that care must be exercised in drawing conclusions.

Group ranges and averages for staffing and budget levels of regional and municipal development departments and commissions are reported in Table 4.3. As indicated below the table, the grouping is based on population served by the organization. Values for the six municipal agencies in the Niagara Region are included in the relevant grouping for comparative purposes. While some of the Niagara Region development organizations were, in fact, part of the sample used by the Development Council, the values reported for the specific municipalities are those reported in the interviews with staff.

On all counts, the Niagara Region municipalities fall below their respective group averages in resource expenditure. Perhaps the most meaningful comparison is in per capita terms, where the regional municipalities all fall below the group averages by significant amounts. However, the area municipalities in the Niagara region are not at a complete budgetary disadvantage compared to their counterparts elsewhere.

TABLE 4.3

ONTARIO COMPARISONS 1987

	Total Staff			O p e r a t i n g (\$000's)			B u d g e t (per Capita)		
	High	Low	Average	High	Low	Average	High	Low	Average
GROUP 1	18	5	10.75	\$2,266	\$418.4	\$933.3	\$5.33	\$1.26	\$2.36
NRDC			7			471.1			1.27
GROUP 2	6.5	1.5	4.1	440.9	92.1	240.0	2.94	0.65	1.77
St. Catharines			3.5			206.0			1.67
GROUP 3	9	2	3.8	534.7	140.1	294.8	9.49	1.65	4.16
Niagara Falls			3			190.0			2.64
GROUP 4	3	1	2.3	361.9	46.5	174.7	13.40	1.33	5.28
Welland			2.5			94.7			2.10
Fort Erie			1			75.0			3.23
GROUP 5	2	1	1.6	114.7	58.0	86.9	8.77	4.46	6.76
Port Colborne			1			75.0			4.10

Source: Group data from Ontario Industrial Development Council, 1987 Budget and Salary Survey, Dec. 1987. Data for Niagara municipalities obtained in interviews - per capita figures calculated by author using 1986 populations.

Group 1 - population 200,000+: survey based on 8 respondents: Durham, Halton, and Niagara Regions, Hamilton, Ottawa, Scarborough, Toronto, and Windsor
 Group 2 - 100,001-200,000: East York, Kitchener, St. Catharines, Simcoe County, Thunder Bay
 Group 3 - 50,001-100,000: Haldimand-Norfolk, Brantford, Cambridge, Gloucester, Guelph, Huron County, L'Original, Niagara Falls, North Bay, Oakville
 Group 4 - 25,001-50,000: Napanee, St. Thomas, South Bruce Lakeshore, Timmins, Welland, Whitby, Woodstock
 Group 5 - 10,001-25,000: Brockville, Georgina Township, Haliburton County, Lindsay, Midland, Nanticoke, Parry Sound Area, Tillsonburg

While the Port Colborne Development Department is below the minimum value in the sample group, and the NRDC per capita expenditure equals the minimum, the remaining four municipalities are well above the minimum per capita expenditure for their respective groups.

4.3 The Extent of Policy Coordination

Ideally, local economic development policy in the Niagara Region should be viewed as an integrated operation and therefore some degree of organization of the participants is necessary. This is not only because development in any one part of the Region has impacts on the remainder, as established in chapter 2. Cost efficiency requires a financially rational division of responsibilities between the upper and lower tiers both to avoid duplication of services and to ensure that each separate development function is conducted at that level which can provide the function at the least cost scale. If functions are divided, it follows that effectiveness will require co-operation between the upper and lower tiers. Further, the success of the integrated effort will be enhanced through co-operation between lower tier municipalities. In principle, each lower tier agency is mandated to serve only its own municipality. In fact, the success or failure of its efforts are shared by all municipalities of the Niagara Region.

With no legal requirement for a non-overlapping sharing of responsibilities, the municipalities of the Niagara Region are to be commended for recognizing the need for organization and for developing a mutually agreed upon assignment of functions which seeks to avoid duplication of effort. Moreover, the division of responsibilities between the upper and lower tiers approaches what is, by and large, an economically justifiable model.

The principal activities of economic development are listed, and the responsibility for each is assigned, in the document, "Economic Development in the Niagara Peninsula: A Team Approach to Economic Development in the Niagara Region". This list is reproduced in Table 4.4. The document has been endorsed through the signatures of the representatives of all municipalities in the Region except St. Catharines. The strong impression formed during interviews in the Region is that the various development practitioners feel this assignment of functions to be binding on them, including the economic development agents in St. Catharines. Clearly, the document has more import in those lower

TABLE 4.4

ACTIVITIES AND RESPONSIBILITIES

Activity		Responsibility	
External Advertising			Regional
Regional Promotional Activities			Regional
Local Promotional Activities	Local		
Industrial Property Information		Joint	
Sales/Trade Missions and Exhibitions at Trade Shows		Joint	
Industrial Directory			Regional
Seminars and Workshops		Joint	
Consulting on Government Assistance Programs		Joint	
Regular Visits to Companies	Local		
Handling of Incoming Prospects		Joint	
Major Investment Proposals			Regional
Processing Developments	Local		
Regulatory Process	Local		
Community Spirit	Local		
Special Projects	Local		
Development of Industrial Land	Local		
Downtown Redevelopment	Local		
Redevelopment of Older Industrial Areas	Local		
Liaison with Local Support Agencies		Joint	
Entrepreneurial Development		Joint	
Economic Research		Joint	

Source: "Economic Development in the Niagara Peninsula: A Team Approach to Economic Development in the Niagara Region", August, 1986, prepared jointly by all 13 Municipalities.

tier municipalities where a formal development agency exists: the smaller municipalities would not conduct the proactive functions in any case.

Note that there is not a clean separation of functions between the upper and the lower tier. Seven of the twenty-one functions remain a joint responsibility, which is to say that both upper and lower tiers reserve the right to conduct the function, not that the two tiers work in a fully integrated manner in fulfilling the specific activity. The nature of a particular function may make such an arrangement necessary, as in the case of "handling incoming prospects". The joint nature of other functions may be questionable. The report will return to this in the evaluative chapter to follow.

With regard to co-operation, the mechanisms are somewhat less formal and, perhaps therefore, less successful in bringing about a truly integrated approach. The primary vehicle for communication between the tiers is the monthly meeting of the staff of the NRDC and the staff of the lower tier organizations with responsibility for economic development. This group, calling itself the Industrial Developers Committee, represents all thirteen municipalities and allows informal discussion of matters of mutual concern. The resolutions of the committee are, however, binding on no one. The meetings may be attended by other interested parties, in particular by representatives of the federal and provincial organizations with a mandate including local economic development.

Co-operation and communication horizontally between the lower tier municipalities is less formal yet, essentially achieved through, and relying on, the personal relationships between the economic development staff. Lower tier economic development officers have their first allegiance to their respective municipalities. As well, no lower tier development officer relies on another to perform any of the functions of local economic development. They naturally, therefore, perceive fewer mutual gains to flow out of a coordination of their efforts than from a coordination between upper and lower tiers. Nevertheless, during interviews, it became apparent that most understand the economic integration of the Niagara Region and the benefits that flow to their jurisdiction from development elsewhere in the Region as a consequence of this interrelatedness. Should their own municipality not be able to satisfy a client, local economic development officers purport to do their best

to ensure that some other municipality in the Region is given an opportunity. This typically means passing the client on to a counterpart elsewhere.

Finally, there is some degree of co-ordination in the larger process of economic development. Formal organization of the bewildering array of individuals and groups working on improving the economic base of the Region is non-existent. In spite of that, something of a "system" appears to be in place. Perhaps best described as personal networking, the community of individuals involved in economic development has developed over time a process of communication relying on personal contacts. Thus, for example, it is possible for a foreign client firm to be handled in a sequential manner, passing through a channel of loosely connected agencies, first at the federal level, then at the provincial level, on to the NRDC and finally to the lower tier municipality. Of course, this is not a formal structure, and the entry point of a firm wishing to locate or expand in the Niagara Region could be at any position in the chain. In addition, there is no requirement that this sequence take place. The NRDC may not pass a client on to the lower tier economic development officer, just as the latter may not inform the NRDC of its activity. This may be due to the need to preserve confidentiality. However, it complicates the organizational structure and, in some cases, has led to ill-feeling between the agencies of the two tiers.

4.4 The State of Development Policy in the Perception of Participants

An assessment of local economic development in the Niagara Region cannot restrict itself to the purely objective nor confine considerations only to factual data. Co-ordination and co-operation in the region-wide effort rely almost entirely on voluntary participation in the attempt to rationalize the overall operation. That participation is less likely to be forthcoming if stakeholders are dissatisfied with current arrangements. Their opinions, right or wrong, become issues, and discontent must be addressed. In addition, of course, local participants in the process of economic development can provide useful insights into what works and what does not. Constructive criticism from within, while perhaps not entirely subjective, may be enlightening.

The perceptions contained in this section were obtained through a number of interviews held in the region (a list of consultations is provided in Appendix II). In all cases, an implicit understanding of confidentiality was maintained, resulting in candid and honest discussion. For this I am indebted to the interviewees. That confidentiality will not be broached here. It must be borne in mind that the impressions formed may be inaccurate due to misunderstanding or misinterpretation of the opinions of the interviewees.

At the political level, there is first a widespread acceptance (or, more accurately in some cases, a resignation) to the fact of regional government. Given that the region is to be governed in a two-tier fashion, there appears to be little quarrel with the concept of an upper tier agency to promote the Niagara region as a whole, or, indeed, the general principle of economic development policy. There is, however, a wide range of opinion concerning the effectiveness of current endeavours. It would be unproductive for this report to speculate as to why some would rate the Regional effort as excellent while others are much less charitable. But it is important to comment on the fact that opinions differ so widely.

Such a diverse range of opinion strongly suggests that there is a general lack of understanding of precisely just what it is that local economic development policy can, or has, accomplished. Expectations that are unrealistically high will be damaging to the effort. Perhaps the practitioners themselves may be guilty of building up such expectations - pessimists do not generally apply for the position of Local Economic Development Officer. Whatever the source, an expectation that a community can perfectly dictate its economic base through the employment of one or two development personnel can only be unfulfilled. Local development policy cannot generally relocate economic activity away from where it would have chosen to locate in the absence of such policy. Nor can it create the demand for services or products that is a prerequisite for the existence or expansion of a business.

As was argued in chapter 2, a rigorous and quantitative evaluation procedure must be found. The absence of proper evaluation allows of any opinion. For example, the NRDC annually produces a list of new

economic activity in the Region.²⁵ Some interviewees have held this list up as a demonstration of accomplishment. Others regard it with a greater degree of skepticism, even cynicism, arguing that the new activity would have taken place in the absence of any Regional initiative. In principle, there should be no disagreement - the impact of development policy has a measurable value. The question is only one of how to determine that value. Until the answer to that question is approached, the Regional effort will continue to be subject to criticism, whether that criticism is or is not deserved. Unless it can satisfactorily address that criticism, there is a risk that lower tier municipalities will rethink the delegation of some responsibility for economic development in their municipality to the upper tier, perhaps choosing to expand their effort to a fully self sufficient (and more expensive) operation.

There appears to be some feeling among the larger lower tier municipalities in the Region that the smaller municipalities are benefiting from a cross-subsidization. In other words, an argument heard more than once was that, since such a municipality contributes a proportionally large share of the Regional budget, it is entitled to a proportionally larger share of the benefits. This logic is not defensible. Municipalities as such are bloodless entities. What matters is the per capita burden. On that basis, there is no evidence that residents of the larger lower tier municipalities contribute more to the Regional effort than do residents of the smaller municipalities. Indeed, since industry tends to congregate in the larger lower tier municipalities, residents there may actually be receiving better value for their tax dollars.

So as not to impart too negative an impression, the record should show that several interviewees expressed unqualified satisfaction with the Regional effort. Particularly for the smaller municipalities of the lower tier, the NRDC is precisely what the intended benefits of regional government are all about -the ability to pool resources so as to provide local services that would otherwise not be affordable.

Interviews with economic development officers revealed similar sentiments about the desirability of current structural arrangements. There is general agreement that the various functions of economic

²⁵. The NRDC does not make any claims of responsibility.

development must be divided between upper and lower tiers, and that the current division is satisfactory. All perceive a need to conduct development policy at the Regional level if it is to be conducted at all. But there is a general belief that lower tier municipalities are also vital players. Effective development policy requires agents located in the individual lower tier municipalities, closer to the playing surface and therefore more familiar with local conditions and businesses.

Again, among the lower tier municipalities not pursuing proactive policy, the agreed upon division of functions is not binding since those activities assigned to the Regional agency would not be conducted even in its absence. In those lower tier municipalities where the existence of a dedicated development agency makes duplication of effort a potential problem, there is a genuine effort to avoid it. In other words, practitioners generally support the organization that has evolved in the Niagara Region.

In addition, many local Economic Development Officers demonstrated a clear understanding of the integrated nature of the Niagara Region, and the benefits to be derived from the success of development efforts in lower tier municipalities other than their own. Indeed, there appears to be a recognition that excessive competition between lower tier municipalities can, in the long term, be harmful to all.

This is not to suggest that all is completely well in the eyes of economic development professionals in the Niagara Region. But any dissatisfaction does not appear to be about the structure that has evolved in the Region to conduct development policy. Rather, it seems to boil down to discontent with the manner in which some of the other participants in that structure go about their jobs and the quality of communications between the tiers.

4.5 Summary

The conduct of local economic development policy in the Niagara Region has been complicated by a Regional Act that does not dictate a rational organization of the region-wide effort. Fortunately, reason has prevailed and something of a coherent, integrated approach has evolved. Development policy consists of many and diverse activities. Each one of these functions has been identified and an attempt has been made to ensure that each is conducted at the appropriate tier. The

relationships between the upper and lower tier municipalities have, by and large, been sorted out. Given that the NRDC was established only in 1982, this evolution has been commendably rapid.

While the resulting structure is fairly rational and is generally regarded as satisfactory within the Niagara Region, it is not without problems. First, it is based on voluntary compliance by participants. There is no guarantee that lower tier municipalities will not in the future become disenchanted with current arrangements and initiate their own full-fledged development efforts. Second, the organizational form is horizontal, so that the NRDC does not, for example, serve as an umbrella organization. This structure, wherein a great deal of independence is retained by all municipalities, does not promote good communications between the constituent components. Moreover, as was evident in the interview process, it leads to professional rivalry and criticism. With no clear chain of command linking the professionals of the various municipalities, neither is there a guarantee that any one professional will heed and act upon the criticism of another.

CHAPTER 5

AN ASSESSMENT OF ECONOMIC DEVELOPMENT POLICY IN THE NIAGARA REGION

5.1 Evidence on the Impact of Development Policy

As should be clear from the discussion so far, this report will not hazard a quantitative guess as to the impact that formal development policy has had on the Niagara Region. Even if limited to the less comprehensive and measurable indicators of the quality of life of the Region's residents, such as employment and tax base, the enquiry would be too extensive to be conducted within this study. Nevertheless, some comments on effectiveness can be made.

No one should expect economic development policy to be able to fully determine the economic health of a community. As the discussion of the third chapter tried to point out, the limitations of the instruments available to municipalities imply that only marginal impacts on the level of economic activity should be anticipated. Many, if not most, firms never have cause to utilize the development facilities of the municipalities in which they are located. Their financial viability is determined by broader market forces, wage rates, availability of infrastructure, corporate tax rates, entrepreneurial talent, and a host of other factors beyond the municipality's control. Success in development policy will be reflected in isolated victories, not in pervasive impacts on the economic base of a municipality.

This is borne out by the results of an informal survey conducted by the Niagara Regional Review Commission. Survey forms (see Appendix III) were distributed to a small sample of firms which had been reported in the NRDC's 1987 Annual Report as having recently expanded or modernized their plants, or having recently located in the Niagara Region. The sampling methodology is far from scientific and the number of responses is small. Therefore, the results must not in any way be used to estimate the true quantitative impact of development policy in the Niagara Region. Nevertheless, the responses do give an impression of the qualitative nature of the development effort.

The survey of twenty-seven firms recently located in the Niagara Region generated eleven usable responses. Of these eleven, two indicated that lower tier municipal

officials played a role in their location decision, three replied that the NRDC played a role, and two of the eleven indicated that they were influenced by provincial or federal officials. A similar set of questions were addressed to eighty-nine existing firms which had recently expanded or modernized their facilities. In the twenty-four usable responses, seven were assisted by local area municipal officials, five by the NRDC, and ten by either the federal or provincial governments.

Local economic development policy provides assistance to specific firms in specific instances. It must be regarded in this way, and not as an initiative which has the power to completely define the economic character of a municipality. When queried about those factors most important to their location decision, the new firms indicated that access to transportation facilities was important, particularly road access. The economic development of a municipality is fundamentally determined by its location relative to markets and suppliers, and the infrastructure it offers, not by self-promotion.

To suggest that such policy should be viewed as having only a marginal impact is not to presuppose an answer to the larger question of whether the returns to the expenditure on development policy are warranted by the results. The figures reported by the newly located firms are perhaps not stunning. But then neither is the budget devoted to formal economic development policy within the Region. As reported in Table 4.2, the combined budget for the development agencies in the Region was in the order of \$1.125 million in 1987. The combined expenditures of the upper and lower tier municipalities in 1986 was \$322.6 million. With approximately one third of one percent of total municipal spending in the Region devoted to formal development agencies, the results required to justify such initiatives may be equally modest. At the time of the survey, the four firms new to the Region that indicated influence by local and/or regional officials employed a combined total of thirty-seven persons full-time and three part-time. There is no way of knowing, of course, if these firms would have located in the Region even without the assistance of the development agencies. But recall that only eleven firms responded.

Such quantitative enquiry is highly speculative. It can neither demonstrate that development initiatives in the Niagara Region have had an impact warranting the expenditure nor prove the opposite case. Precise

answers to such questions require extensive research. This study can only recommend that such research be undertaken.

5.2 The Optimal Structure for Delivery of Development Policy

If economic development policy is to be pursued at the municipal level, the question then becomes one of determining responsibility for its conduct within the Niagara Region. If practices in other two-tier municipal systems are to be followed, there are three options: assignment of responsibility to only the upper tier, to only the lower tier, or to both tiers. Each option has both advantages and disadvantages. To see why, it is necessary to understand that economic development policy is not a single enterprise, but rather a combination of quite diverse activities. The range of the functions listed in table 4.4 illustrates this point.

Vesting responsibility only in the lower tier municipalities of the Niagara Region has some merit, for some of the activities of development policy are best conducted at this level. Economic development officers would be close to and familiar with city hall in each local area municipality, an advantage of some importance when shepherding business through local regulations. Development policy entails providing new or expanding firms with accurate, up-to-date intelligence on commercial real estate availability. The quality of such information will be improved if it is gathered close to the source. There is no need to review the entire list of activities. It should be clear that a set of them of them could be selected that would make lower tier municipal responsibility the best option of the three.

However, this model will have disadvantages as well. While site availability information might be best gathered by agents working at the lower tier level, such information is most effectively disseminated from a single source within the Region. Clearly, the cost of location decisions to firms is reduced if they are provided with a single point of contact. Similarly, external promotion is best handled at the upper tier level. The marketing impact will be larger when all twelve lower tier municipalities are promoted together for there is, simply, a better package to sell. In addition, the single promotion effort will be more cost efficient. Provision of information and assistance with

the programs of the federal and provincial governments is an activity that is also best handled by a single entity within the Region. As previously discussed, there is a bewildering array of such programs, and each may involve rather complicated procedures. It simply does not make sense for each of the twelve lower tier municipalities to incur the expense of becoming familiar with them.

Finally, it is important to recall that the benefits from economic development are widely diffused throughout the Niagara Region. Therefore, the long-term interests of any lower tier municipality may be best served by ensuring that, once drawn to the Region, a firm is led to the best possible location from the firm's point of view. After all, economic development policy does not create jobs or tax base, business does. Every effort must be made to enhance the long-term financial viability of firms in the region, viability that can be affected by its location. The first option for assignment of responsibility may jeopardize this objective by allowing the potential for parochial marketing by lower tier municipalities.

The advantages of the first option become the disadvantages of the second - assignment of responsibility for economic development policy only to the upper tier municipality. And the disadvantages become advantages. Thus, for example, external promotion would naturally take a region-wide perspective. But a regional agency would be less effective at stick-handling clients through the regulations of the lower tier municipalities. If the first option is not ideal, then neither is the second.

This leaves the third option, which is the status quo. Both the upper and lower tier municipalities may be given a mandate for economic development policy. It would appear that such an option would cover all the bases. Thus, a regional agency would ensure that external promotion would take a region-wide perspective. At the same time, the existence of economic development agencies at the lower tier level will provide firms with the personnel who can best handle their cases at City Hall. The objection to this option is, of course, that such an arrangement may involve excessive expenditure on the pursuit of economic development due to duplication of services. Moreover, nothing in such an arrangement prevents competition between lower tier municipalities that may be parochial and, in the long-term, damaging to the economic health of the Region and of its constituent

parts. It is precisely these concerns that motivate the terms of reference of this study.

The problem boils down to the definition of economic development policy, specifically, the failure to recognize such policy as consisting of diverse functions. If defined as a whole, the set of activities cannot be assigned in an ideal manner. If it is to be both effective and cost efficient, economic development policy must be decomposed into its constituent parts, and each function must be assigned separately. Therefore, the ideal model is not one of the three options outlined above. Rather, the best approach is an integrated delivery of economic development policy involving both tiers in the Niagara Region. In short, such policy must involve a joint effort.

The current conduct of development policy in the Niagara Region conforms fairly closely to the ideal model. There has been a recognition that the statutory model which assigns responsibility for overall economic development policy to both tiers has the potential for costly duplication of services and requires a rationalization of the region-wide effort. There might be some argument about the actual assignment of responsibility for activities, as outlined in Table 4.4. In particular, some of those activities now jointly assigned may be better dealt with by only one tier. There would appear to be little reason for economic development officers of the lower tier to participate in sales/trade missions or exhibitions at trade shows. The conduct of seminars and workshops should be centralized at the regional level, and should be active consulting on government assistance programs. If the aim is to avoid duplication of service, as few of the activities as possible should be given a joint assignment. This is not desirable for all, however. Industrial property information must be a joint activity, for example, with information gathered at the local level and disseminated by the regional agency.

There is, however, one glaring difference between the status quo and the ideal model. The latter envisions not only an integrated approach to performing the various functions of development policy, it also requires integrated decision-making. Because current arrangements organize the two tiers in a horizontal manner and do not vest ultimate responsibility for the structure in either tier, problems may arise. Compliance with the arrangement is entirely voluntary so that there is no guarantee that financial rationality will be maintained into the future. This may be a real

concern, for neither is there any formal requirement that either tier is accountable to the other. Some of the lower tier municipalities employ personnel who possess the same job qualifications as those of the upper tier agency. Quite naturally, judgement will be passed on the efforts of the others. The current organizational structure provides no real mechanism by which criticisms are taken into account and acted upon by the professionals of either tier. Unable to vent frustrations with the way in which their counterparts in the other tier conduct their part of the job, professionals in a municipality may push for a change in the structure. In short, the system is rather fragile. Should the current arrangements break down, and there is nothing to prevent them from doing so, the Niagara Region might revert to the less effective and more costly system discussed under the third option above.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

There is much that is right about the manner in which local economic development policy is conducted in the Niagara region. The region-wide effort has evolved into an arrangement as rational as statutory provisions will allow, and this study need not make recommendations that would result in wholesale changes. The development effort in the Region requires fine-tuning, not an overhaul.

Some concerns have been raised in the Region, however, and must be addressed. There is first a concern about the effectiveness of economic development policy in general, a sentiment most vocally expressed in the southern portions of the Niagara region. Perhaps not surprisingly, this is where the need for development is greatest. For some, criticism of economic development policy will never be laid to rest unless the municipalities of the Niagara Region are fully prosperous. Such expectations of development policy are unrealistic. At the same time, residents of the Niagara Region do have the right to ask what their tax dollars are accomplishing. To this question, there is no definite answer.

Economic development personnel must have credibility within the business community. Often, this requires strict confidentiality in their dealings with new or existing firms. Thus, they are frequently restricted in their ability to provide a full and public account of their activities. Nevertheless, some form of performance accounting can and must take place. Until this is done to the satisfaction of residents and politicians within the Region, economic development agencies may be faced with disgruntlement among individuals within the Region upon whose voluntary co-operation they often rely. More importantly, in the absence of such accounting, municipalities cannot be assured that their budget dollars are being well spent. This, then, forms the first recommendation.

IT IS RECOMMENDED THAT a research agenda be established which would eventually form a basis for proper and quantitative evaluation of local economic development policy in the Niagara region.

This report fully recognizes the difficulty of such an undertaking. Indeed, it may be beyond the capabilities of the municipalities of the Region. If so, responsibility rightly passes to the provincial government, for municipalities derive their authority and receive their mandate from the province. In addition, of course, the results of the research are of general interest to all municipalities in the province. It is simply not satisfactory for the local development agencies to produce annual reports outlining their activities. Nor will a list of new activity in the municipality serve to convince taxpayers that such activity is the direct result of expenditure on development agencies.

A second major point of concern is the possibility of duplication of services. Such duplication does not appear to be taking place to any significant degree under current arrangements. Therefore, this report does not recommend that responsibility for the delivery of local economic development policy be removed entirely to one of the two tiers of municipality. In this regard, the report differs from the Woods Gordon report which led to the creation of the NRDC and recommended the transfer of local area municipal responsibility to the regional agency. It is the opinion of this report that any resulting cost savings would be small. Were the NRDC to assume responsibility for the conduct of all the functions of economic development policy, its staff complement would have to be expanded. At the same time, functions of some economic development officers at the lower tier level would be transferred to other municipal staff. The net reduction in expenditure in the Region as a whole is therefore likely to be minimal. A degree of autonomy from the Regional Municipality appears to be perceived by some lower tier municipalities as being valuable in and of itself. If the autonomy allowed lower tier municipalities by statute does not hinder the region-wide development effort, then any cost inefficiencies (should they exist) may be justifiable on this account.

Effectiveness and cost efficiency in the conduct of local economic development policy requires that each separate function be assigned to either the upper or lower tier agencies. That does not imply, however, that the two tiers can then work independently of one another. If this approach is to be taken, it is of the utmost importance that all participants see themselves as partners in a fully integrated venture.

IT IS RECOMMENDED THAT local economic development policy in the Niagara Region be understood to be a joint undertaking of the upper tier municipality and the lower tier municipalities. The two tiers are not in competition with each other, nor are the lower tier municipalities in competition with one another.

This model requires mutual respect among participants, communication between the upper and lower tier agencies, and communication among the lower tier agencies. It also requires a greater degree of joint decision-making than appears to take place currently. Finally, the arrangements made to avoid unnecessary duplication of effort must be institutionalized. The present agreement is too fragile to withstand strong dissent from within, nor does it require compliance. There is no guarantee that the rational approach currently taken by the thirteen municipalities will be preserved into the future.

Statutory provisions may make regularization of the current organizational structure difficult. However, an opportunity is afforded by a more formal approach to the monthly meetings held by local economic development officers. The Economic Developers Committee has already been the catalyst for much of the improvement made in rationalizing the region-wide approach to economic development policy. It must now ensure that no ground is lost. While it cannot assume the power of those agencies which govern the various economic development entities in the Region, it may gain a greater allegiance among those entities. To do so, the monthly meetings must be seen as being productive by the individual participants. Interviews with economic development officers in the Region indicate that this could result from some relatively painless changes. For example, simply recording the minutes of the sessions would serve to emphasize the importance with which the proceedings are regarded. Rotating the chairmanship of the Committee may reduce the perception held by some that the meetings are more for the purpose of the NRDC's effort at improved public relations, rather than true working sessions. Whatever the mechanism, the Committee must become a better vehicle for dialogue between the practitioners of local economic development policy in the Niagara region.

IT IS RECOMMENDED THAT the Economic Development Committee be given more formal structure. It must be seen as of central importance in tying together the

various components of local economic development policy in the Niagara Region.

The individual municipalities could exert some influence on the region-wide development effort through their representatives on the Committee. Municipalities with concerns over the conduct of development policy could also, of course, avail themselves of the option currently open to them through membership of Regional Councillors on the NRDC.

APPENDIX I

TERMS OF REFERENCE

1. SCOPE AND CONTENT OF PROJECT

There is concern about the level of government that ought to be involved in economic development activities and the type of activities in which governments ought to be involved in the Niagara Region. Regional involvement comes through the Niagara Region Development Corporation (NRDC). Local involvement varies between area municipalities, but ranges from municipalities with specific departments solely responsible for economic development activities, to municipalities that combine these activities with the planning department, to municipalities that do not engage in economic development activities at all.

PART A: Rationale for Government Involvement

This part of the study will develop an analytical framework for the rationale and role of provincial, regional and local governments in economic development activities. Particular emphasis must be placed on the level of government that can foster and promote economic development in the most efficient and useful manner.

PART B: Review of the Literature

A thorough review of the literature (Canada and elsewhere) on the extent of local and regional government involvement and the success of these governments in promoting and fostering economic development activities will be presented.

PART C: Current Practice

i) Existing practices of local governments in Niagara, the NRDC and other relevant local and regional government agencies will be described. As well, the policy goals and institutional mechanisms used for promoting economic development by these governments and agencies must be explored.

ii) The nature and intensity of development efforts will be measured including resources allocated to the various developmental activities and the relationship (lines of authority, etc.) between local and regional government and the economic development departments or agencies.

PART D: Analysis of Current Practice

i) The researcher will be required to interview a number of government officials and others involved in this area to gain information on the success or failure of local and regional government policies (and practices) used in the promotion and fostering of economic development activities,

ii) While the Commission will be responsible for surveying a number of new firms/businesses that have moved into the Region in the last few years, the researcher will be expected to take this information and to use it in analyzing the extent to which local and regional governments have actually had an impact on location decisions.

iii) The researcher will be required to marry the conceptual framework with actual practices and their success in formulating recommendations for economic development activity in the Niagara Region.

APPENDIX II

LIST OF CONSULTATIONS

NAME	POSITION	DATE
Dal Broadhead	Senior Research Associate Economic Council of Canada	August 10*
Michael Boggs	Chief Administrative Officer Regional Municipality of Niagara	August 11
Matthew Fischer	General Manager Niagara Region Development Corp.	August 11
Bob Prince	President NRDC	August 11
Jack Delany	Manager, Plant Location and Municipal Liaison, Ministry of Industry Trade and Technology	August 30*
Keith Vogl Ron Bracher	Planning Administrator Town Administrator Town of Grimsby	August 31
Jack Bernardi Murray Hackett	Deputy Clerk Clerk Co-ordinator Town of Pelham	August 31
Renato Romanin	Economic Development Officer Welland Development Commission	August 31
Judy Coward	Town Planner Town of Niagara-on-the-Lake	September 1
Gary Attack	Deputy Clerk and Planner City of Thorold	September 1
Glenn Walker	Economic Development Officer City of Port Colborne	September 1
Carolyn Bones	Economic Development Officer & General Manager Greater Fort Erie Chamber of Commerce	September 1
R.J. (Bob) Nesbitt	Senior Business Consultant Ministry of Industry, Trade and Technology	September 2*

R.H. (Dick) Pryde	Manager Central Ontario District Office Department of Regional Industrial Expansion	September 6*
Joseph McCaffery	Mayor City of St. Catharines	September 13
Wilbert Dick	Regional Chairman Regional Municipality of Niagara	September 13
Chuck Chattaway Janie Stafford R.T. Billingsley John Corfield	Director of Economic Development Assistant Director President Vice-President Niagara Falls Economic Development Agency	September 13
William Smeaton	Mayor City of Niagara Falls	September 13
Robert Bolibruk	Town Planner Town of Lincoln	September 13*
John Fior	Town Planner Town of West Lincoln	September 13*
William Longo	Mayor City of Thorold	September 20
Bill Lefevre Bryan Morris	Director of Business Development Business Development Officer City of St. Catherines	September 20
Eric Bergenstein	Mayor Town of Pelham & Treasurer, NRDC	September 20
Stan Pettit	Mayor Township of Wainfleet & Member, NRDC	September 20*
Bob Saracino	Mayor City of Port Colborne	September 20

* indicates telephone conversation

APPENDIX III
SURVEY OF EXISTING FIRMS

Name of Firm: _____
Respondent's Name: _____
Title: _____

A. BACKGROUND

1. Date your firm was established in the Region: _____
 2. Type of new investment activity (eg. expansion) _____
 3. How large is your employment _____
-

B. DECISION FACTORS

1. Did the municipality play a role in your investment decision?

Specify _____

2. Did the Niagara Region Development Corporation play a role in your investment decision?

Specify _____

3. Did any other agencies influence your investment decision?

Specify _____

C. ECONOMIC DEVELOPMENT SERVICES

We wish to determine the extent to which services offered to local business by the Niagara Region Development Corporation and by local development agencies are used by local business. Please indicate the importance to your company of the following services, using a scale from 1 (not important) to 5 (very important). If you are unaware of the nature of the service, enter n.a.:

SERVICE	IMPORTANCE
a. Industrial Property Information	_____
b. Representation at Trade Shows	_____
c. Compilation of Industrial Directory	_____
d. Seminars and Workshops	_____
e. Consulting on Government Assistance Programs	_____
f. Assistance with Local Regulations (zoning bylaws, permits, etc.)	_____
g. Small Business Consulting	_____
h. Location of Investment Capital	_____
i. Provision of Local Economic Statistics	_____
j. Other - Specify _____	_____

D. COMMENTS

We would be interested in learning of your own opinions on economic development policy/initiatives/implementation. Please indicate those areas in which you think the municipality or Region can improve its economic development efforts.

SURVEY OF FIRMS LOCATING IN NIAGARA REGION

Name of Firm: _____

Respondent's Name: _____

Title: _____

A. BACKGROUND

1. Date your firm was established in the Region: _____
2. Had your firm previously operated outside the
Region? _____
3. Does your firm presently operate outside the
Region? _____
4. Did your firm consider alternative sites outside
Region? _____
5. What was your firm's initial source of information about the Region as
a potential site? _____
6. Did the municipality play a role in your decision to come to the
Region? _____
Specify _____
7. Did the Niagara Region Development Corporation play a role in your
decision to locate in the Region? _____
Specify _____
8. Did any other agencies influence your decision to locate in the
Region? Specify _____
9. How large is your employment? _____

B. LOCATIONAL FACTORS

We wish to determine which factors most influenced your decision to locate in the Niagara Region, and whether they proved to be significant afterwards. Please indicate the role of the following factors, using a scale from 1 (not important) to 5 (very important):

LOCATIONAL FACTOR	INFLUENCE ON DECISION	PROVED TO BE SIGNIFICANT
a. Air Access	_____	_____
b. Intercity Road Access	_____	_____
c. Rail Access	_____	_____
d. Availability of Skilled Labour	_____	_____
e. Competitive Wage Rates	_____	_____
f. Availability of Sites	_____	_____
g. Cost of Sites	_____	_____
h. Quality of Life	_____	_____
i. Proximity to Market	_____	_____
j. Proximity to Suppliers	_____	_____
k. Size of Local Market	_____	_____
l. Low Tax Rates	_____	_____
m. Location Grants - Federal	_____	_____
- Provincial	_____	_____
n. Other Factors (specify)	_____	_____
_____	_____	_____
_____	_____	_____

C. COMMENTS

We would be interested in learning of your own opinions on economic development policy/initiatives/implementation. Please indicate those areas in which you think the municipality or Region can improve its economic development efforts.



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